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Booksellers baulk at Govt bid to tax news and knowledge

BOOK and magazine publishers and distributors are alarmed at the possibility of a sales tax being imposed on their products in this year's Budget.

They fear that selective application of the tax could be used to manipulate print media.

A major book distributor has been told by Customs Minister Hugh Templeton that while a UNESCO convention protects the trade from import duty on books and magazines, there is "no restriction in terms of this agreement from imposing an internal tax such as sales tax on these goods."

NZ Book Publishers Association vice president Rosemary Stagg said last week: "We would be distressed at anything that would restrict

the free-flow of books and information in any way."

The subject first arose earlier this year during a public relations and advertising campaign by record distributors against a 40 per cent sales tax on records.

This campaign emphasised that while records were taxed, imported magazines like *Penthouse* went untaxed. Prime Minister Rob Muldoon said at the time he had no intention of lifting the tax on records but Hugh Templeton would be asked to check on whether a similar tax could be imposed on some magazines.

Magazine and book publishers were convinced they were protected by a UNESCO convention. But one major distributor wrote to Templeton asking about the possibility of a tax.

Cooks takeover threat

by Warren Berryman

WHEN Cooks New Zealand Wine Co shareprices jumped from \$150 to \$168 in recent weeks it brought more concern than elation to Cooks board.

Some directors fear the price movements indicate a move by Penfold's Frank Yukich to achieve his long-standing ambition to gain control of Cooks.



Frank Yukich... no comment

It wouldn't be the first time Cooks has been under threat of takeover. When Cooks' previous half-owner Marac wanted to sell its shares, Rothmans tried to enter the breach. Rothmans also con-

trols Corban's wines and the Examiner of Commercial Practices stepped in to stop Rothmans acquiring the shares.

Marac later sold its 50 per cent share in Cooks—25 per cent to Transvision and 25 per cent to Marac shareholders.

At that time Yukich was in there bidding for the shares. But the Examiner of Commercial Practices thwarted his bid.

Two R A Jarden and Co nominee companies recently bought about 20,000 shares each in Cooks. What makes Cooks' directors think Yukich could be behind these nominee's is that he used Jarden in the past bid.

Yukich is making no comment about the matter.

It is understood he has had talks with Transvision, who's shareholding in Cooks would now be between 28 and 30 per cent.

Apart from the big blocks disposed of when Marac sold its 50 per cent of Cooks, the shareholding is scattered. So one shareholder could probably control Cooks with only 25 per cent of its shares.

If Yukich is buying Cooks shares, the firm's directors will probably fight the move.

Yukich's Penfold Wines is short of grapes. And this could be the key to the attractiveness of Cooks.

Court charges lawyer

AUCKLAND lawyer John Murfitt has been suspended from practising by the Law Society.

The interim suspension has effect until the Law Society's disciplinary committee meets in mid-August.

Murfitt also appeared in the Auckland District Court last week charged with uttering threats. He was released on \$2000 bail and asked for his passport.

Both the court case and the Law Society suspension revolve around an alleged forgery of a mortgage document and Murfitt's bank account.

Murfitt formerly came to public attention as lawyer for Marty Johnston, known as "Mr. Asia". But that association has no bearing on the present charges against Murfitt.



Hugh Templeton... wants to widen tax net



Record campaign shows up exempt areas

Templeton replied: "Books and magazines are imported into New Zealand free of duty under the UNESCO agreement, to which New Zealand is a signatory. However, there is no restriction in terms of this agreement from imposing an internal tax such as sales tax on these goods."

"With the Government's intention of placing greater emphasis on indirect taxation, the community as a whole should understand that a wider range of goods will become subject to sales tax and it would be difficult to treat particular sectors of the community as having a right to immunity from tax."

"Although I am unable to give you any indication of future sales tax changes, you may be assured that your representations will be considered when Government next examines its fiscal policies involving sales tax."

If the tax was applied on only imported publications it would, in effect, constitute an

import duty whatever it was called. A tax applied on magazines, ruled "uncultural", could open the way to Government censorship by taxation or at best paternalism.

One of the reasons for the international acceptance of the UNESCO convention against duty on print media is the avoidance of discrimination against books and magazines by governments, and to encourage a free-flow of literature from country to country.

Academic press theorists see a potential danger in a sales tax being applied to a class of publications since a narrow classification might be used by government to discriminate against individual newspaper that have aroused government's ire.

In any case, tax on the print medium, be it books, magazines or newspapers, will make this largely privately-owned medium less competitive with Government-owned electronic media.

It remains to be seen if the Government intends applying a tax to "girlie" magazines but not to its own Government-owned *Listener*.

Employers:
30 JUNE 1980
is the last day for payment of
Accident Compensation Levy
on earnings of employees.

Levy statement forms have been issued to employers.

- A levy worksheet (ACC 509) is available to assist you in the calculation of levy payable.
- You may pay the levy at any Inland Revenue Office.
- If you have not received your levy form or you are not sure what to pay, ask at your local Inland Revenue Office.
- The rates that apply from 1 April 1979 are in the booklet "Levies on Employers"—available on request.

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The week

Crash causes uncertain

THE final and as yet secret report on the Air New Zealand DC10 crash in Antarctica did not give a single definite cause although several contributing factors were identified. The report is to be published.

TOUGH Government measures to clamp down on the ill-gotten gains of white-collar criminals are being considered by Justice Minister Jim McLay, one, to use the sanctions of criminal bankruptcy and two, to extend certain provisions of the Misuse of Drugs Amendment 1978.

LABOUR won Onehunga and Northern Maori by-elections. The new MP for Onehunga is Fred Gerbie, the Auckland industrial councillor, and the new MP for Northern Maori is Dr Bill Gregory.

THE Government is planning to admit 140 Laotian refugees from camps in North-east Thailand as part of the annual 1800 refugee quota.

A \$650 million 200,000 tonne smelter and sheetmetal plant in Otago is being planned by the Fletcher-CSR-Alusuisse aluminium consortium. It will involve 50 per cent New Zealand shareholding and on-site employment for 950 people. The consortium wants a base electricity price of 1.8 which could be reduced to 1.4kwh with rebates.

WORKERS redundant after the collapse of Fibremakers NZ Ltd's factory in Shannon, will get Government assistance in finding work. The factory is another victim of the Government's implementation of the Industrial Development Commission's textiles plan.

A PROPOSAL on shop trading hours will be put in front of Cabinet by the Labour Minister Jim Bolger in the next few weeks.

THE Government will look into the need for updated radar equipment at Wellington Airport but a longer runway is not rated as a high priority by Transport Minister Colin McLachlan.

THE Government's flexible exchange rate policy (allowing the value of the dollar to float in relation currencies of its main trade partners) is estimated to have increased the

country's prices by about 1.75 per cent. The dollar has been devalued by 4.7 per cent for the year to March 31.

SIR Ronald Scott is chairing an advisory committee to seek alternative events for New Zealand athletes not going to the Moscow Olympics.

MANA Motuhake's decision either to contest marginal European seats or urge Maori voters on the general roll to vote for candidates who accept its policies, brought about a call from the Labour Party for the two parties to get together to talk about policy differences.

PUBLIC companies were asked to take a shareholding in Petrocorp's 51 per cent ownership of the Taranaki methanol plant. How much they, or the general public will get has yet to be decided.

AN export permit was refused by the Australian Government for nearly 200 breeding sheep destined for the Soviet Union, on the grounds that the deal was not in keeping with the national interest of the country.

A MEETING of the Combined State Unions and the unions affiliated to the FOL has been organised for July 2 in Christchurch to discuss the campaign for an immediate cost-of-living increase, the repeal of the Remuneration Act, and the introduction of new wage-fixing procedures.

THE Court of Appeal invoked the 'newspaper rule' in upholding the Broadcasting Corporation's refusal to reveal its source of information for statements made in the television programme *Fair Go* questioning the quality of roofing tiles manufactured by AHI Ltd.

LIGHTHOUSE - KEEPERS refused to issue weather reports unless the Government conducts an inquiry into the planned automation of the lighthouse service.

THE Royal Commission of inquiry into Maori Land Courts sees a need to combine the records of Maori land ownership with the general land administrative system.

THE cost of policing New Zealand's fishing zones was \$7,447,000 compared with \$8,013,000 in revenue from overseas fishing vessels' licence fees.

THE American company Gulf and Western Industries Inc has developed a new electric engine capable of powering a car at 90 kilometres an hour over 320 kilometres without recharging, double the distance present electric engines can achieve.

ARGENTINIAN President Jorge Videla, arrived for a 24 hour visit following a state visit to China. He had a brief session with Prime Minister Muldoon. All press conferences and interviews were banned. Amnesty International demonstrated against violations of human rights in Argentina.

OIL prices will rise to between \$32 and \$37 a barrel after last week's meeting of the 13 Opec Nations. But Saudi Arabia will hold its price at \$28 a barrel until September.

The business week

Allflex Holdings Ltd reported an audited tax-paid profit of \$534,000 for the year to March 31.

APA Holdings Ltd reported a consolidated tax-paid profit of \$556,000 for the year to March 31. A final dividend of 5.5c is payable on July 4.

Burkes Caterers Ltd reported an unaudited pre-tax profit of \$326,000 for the year to March 31 (\$211,000 last year). A final dividend of 6.25c is payable on July 29.

Cable Price Downer Ltd reported an unaudited tax-paid profit of \$8,687,000 for the year to March 31 (\$6,436,000 last year). A final dividend of 9 per cent is payable on August 29.

Command Services Corporation Ltd reported an unaudited tax-paid profit of \$1,030,000 for the year to March 31 (\$826,882 last year). A final dividend of 5c is payable on July 30.

CSR Ltd reported a net profit of \$6.1 million for the year to March 31 (\$60.9 million last year). A final dividend of 9c is payable on July 30.

Ernest Adams Ltd reported an audited tax-paid profit of \$187,128 for the year to March 31 (\$219,648 last year). A final dividend of 8c is payable on August 1.

Feltek NZ Ltd appointed L W R Cave to the Board.

Fletcher Holdings Ltd reported an audited tax-paid profit of \$33,001,000 for the year to March 31 (\$16,730,000 last year). A final dividend of 10 per cent is payable on August 7.

New Zealand Refining Company Ltd has appointed E H Black to the firm's board.

NZ Steel Ltd reported an audited tax-paid profit of \$10,943,000 for the year to March 31 (\$11,685,000 last year). A final dividend of 8c is recommended.

Steel and Tube Holdings Ltd reported an audited tax-paid profit of \$3.9 million for the year to March 31 (\$5.27 last

year). An unchanged final dividend of 5c is payable on July 30.

Winstone Ltd reported an audited operating profit of \$3,751,000 for the year to March 31 (\$7,975,000 last year). A final dividend of 4.5c is payable on August 13.

The week ahead

Tuesday: Commerce Commission hearing on Fletcher/Carter Holt case. Talk entitled: "Some aspects of loss prevention" by Bruce Jamieson, at 6pm, Friendship Centre, Boulcott St, Wellington. Select Committee on Lands and Agriculture petition hearing.

Wednesday: Select Committee hearing on the Maori Affairs Bill.

Thursday: "Assembly of Business" convention held by the Chambers of Commerce Education Programme in Auckland until Saturday.

Exchange Rates

As at June 12 1980 \$1NZ is worth:

Australia	85.635
Britain	1.1399
Canada	70.86
Fiji	213.19
Japan	1.7280
USA	96.81
Austria	12.23
Belgium	27.69
China	1.4232
Denmark	5.3806
France	4.0208
Greece	42.18
Hong Kong	4.8067
India	7.6382
Italy	816.26
Malaysia	2.0827
Netherlands	1.8967
New Caledonia & Tahiti	72.86
Norway	4.7197
Pakistan	9.5700
Portugal	47.23
Singapore	2.0833
South Africa	7.757
Spain	68.22
Sweden	4.6849
Switzerland	1.993
Western Samoa	88.9

The week

PSIS chops off a link in its retailing chain

by Rae Mazengarb

THE PSIS this week will close its Upper Hutt retail store — one of a chain of 27 opened since 1958 when the society first moved into the retailing area.

Statutory manager Bob Stannard said last week no further closures were contemplated at this stage.

The Upper Hutt store had been losing money for some time, despite the strenuous efforts of staff both at head office and in the shop itself.

Stores in other areas, by contrast, had been recording steady improvements every week, Stannard said.

In general, most other retailers would agree it's been hard going, he said, referring to increasingly stiff competition in the retail sector and general constraints on retail spending.

The prime reason for dif-

ficulties had been the unfortunate siting of some stores, opened in the days when the society paid a rebate of 12.5 per cent ("I marvel at their apparent ability to do so") which attracted member customers, Stannard said.

With retailing becoming increasingly competitive, together with the society's inability in recent times to pay a high rebate, the stores found shoppers unwilling to seek out the PSIS stores down the side streets.

But changes in retail policy around April last year, whereby a rebate was payable on certain lines while other lines were discounted, had succeeded in making the stores more competitive, Stannard said.

Since his appointment on June 28 last year, Stannard has been steadily pruning off the flab and improving the services of an organisation which

had undergone such dramatic growth in its 50-year lifetime, that it was staggering under its own sheer financial weight.

So far, 75 per cent of members' frozen funds has been released, and while two Auckland properties worth some \$1.7 million have already been sold, Stannard said

that many more PSIS properties were awaiting disposal.

Asked when the society could be pronounced "fit and well" and handed back to its members, Stannard said he would "hesitate to put a date on it".

There was the important but "thorny" question of management reconstruction yet to receive attention, he said.

It is understood the management question is fraught with difficulties.

Stannard had to come up with a package that is not only acceptable to the majority of members, but more impor-

tantly, one which could be expected to hold its own in the marketplace.

Some weeks ago, Stannard said in the *PSA Journal*: "Quite frankly I don't think a board that met twice monthly between the hours of 12.30pm and 2pm was in a position to do justice to the situation".

Sole private enterpriser leaves Petrocorp team

PETROCORP group finance manager Tony Byrne will leave the State-owned corporation at the end of next month to take up what he terms a "lowly" position with the World Bank, as a financial analyst for the East Africa Section.

The sole private enterpriser executive on the Petrocorp team, Byrne had been wooed by the bank for some time.

At the height of the methanol debate late last year — "when you couldn't tell how things would go here" — he joined the brain drain to chase an attractive salary.

He confesses to "tremendous regret" at leaving a corporation poised on the threshold of New Zealand's energy future. But he says that for those in the finance and accounting areas,

the rewards are definitely overseas.

"The current economic conditions here... inflation, taxation... are an equation you can't answer," he said.

A replacement for him has yet to be found, but Byrne said Petrocorp would "almost certainly get someone from private enterprise".

"A fresh mind brings new ideas — but he'll be running fast from the first day," he predicted.

"It's a complex business" when you are dealing with something like several hundreds of millions of dollars in borrowings and assets as the group is doing already.

Byrne joined Petrocorp after 13 years working overseas with the Union Carbide

Corporation, living in Hong Kong, the Philippines and Switzerland. His children were "world citizens", for want of a better term, he said.

One of his reasons for joining Petrocorp was to see how the Government machine worked, from the inside out, he said.

Byrne contends Petrocorp management comprises "some of the most commercially-oriented people from Government".

With a probation period of 12 months which he takes up in September, Byrne says he takes the chance of being "on the street" at the end of that time, but he believes it will be interesting work.

Based in Washington, he will be travelling for about a quarter of each year.

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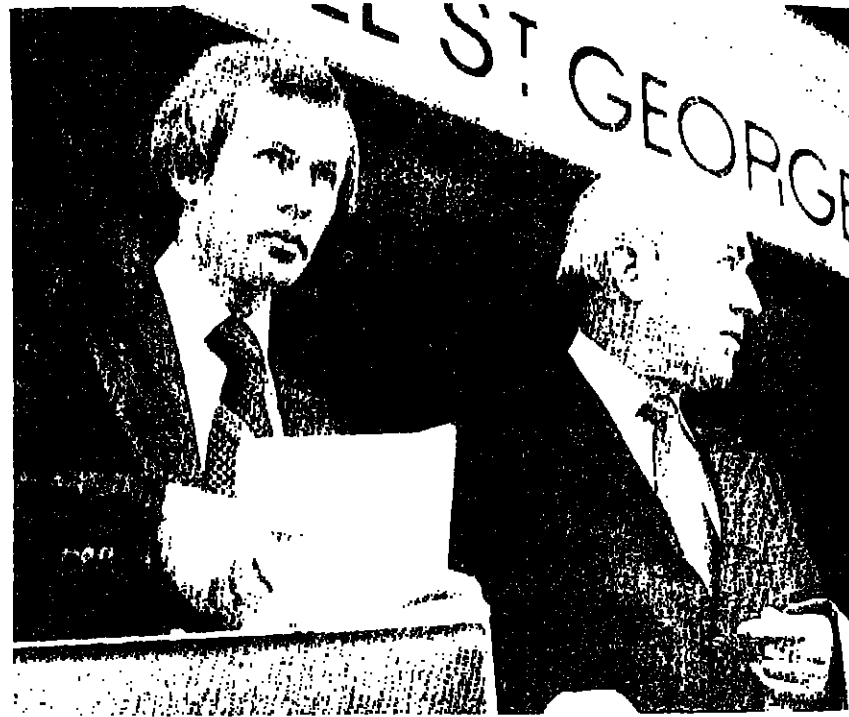
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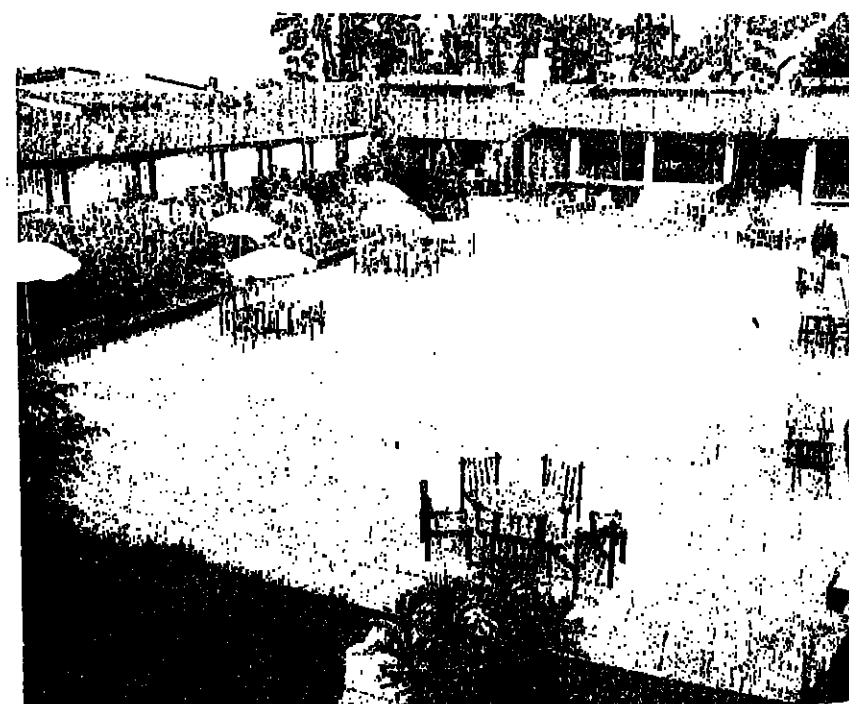
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The week

Hauraki out to give competitive spur to TVNZ

HAURAKI Enterprises, parent company to Radio Hauraki, the former shoe-string radio pirate which broke the Government monopoly on radio broadcasting, is making a bid for private TV.

Mike Wall, former director of Colenso Communications and National Party election-campaigning adman, has been appointed executive director, television, at Hauraki.

Hauraki made a previous bid for 69 hours of television time to broadcast the Olympic Games. It was turned down.

This time Wall will complete a two-month feasibility study before offering a package to TVNZ.

Wall, who claims he has always been a frustrated

television or press man but stuck with advertising for the money, has spent the last year in Europe, partly vacationing and partly studying communications techniques.

Hauraki, according to a press release last week, contends "that the problems which beset television in New Zealand are directly attributable to the monopolistic nature of the industry and will only be resolved when the Broadcasting Corporation has to compete with private enterprise in the marketplace."

Wall said he wanted to put up an alternative to State-owned TV. He hoped he could work with TVNZ to a mutual advantage, he said, rather



Mike Wall... frustrated television man

than have a confrontation situation develop.

While Wall's feasibility study has yet to be completed he had some preliminary ideas. A third channel was just not on at the present, he said. Hauraki would have to work through TVNZ's facilities.

The idea at the moment was not to go into television production but to buy in programmes by a private system not just replace the tyranny of the state with the tyranny of the advertisers?

Wall said he did not think this would be the case and

time blocks — in the initial stages, at least — and not making programmes, how did this differ from TVNZ doing the same thing?

Wall said it provided viewers with an alternative type of programme.

Would the buying in of popular high-rating American programmes by a private system not just replace the tyranny of the state with the tyranny of the advertisers?

Wall said he did not think this would be the case and

disputed the distinction between popular programmes and good programmes.

In the end Hauraki would have to become involved in television production itself, Wall said.

As to the benefits of a private alternative to Government-controlled television, Wall pointed to the stimulating effect that private radio had on Radio New Zealand, and the competitive spur given to the BBC by ITV in Britain.

Examiner catches ad rate-fixers

THE ad rate-fixing agreement between the Agriculture and Fisheries magazine *Catch* and the privately-owned magazine, *Commercial Fishing*, has been revoked "on the advice of the Examiner of Commercial Practices".

He had written to *Commercial Fishing's* editor Gordon Ferrier advising him that the MAF publication's rates would be dropped back to those previously charged.

It is understood the examiner had pointed out to *Catch* in response to the article in *National Business Review*, June 2, — that the paper's recent action of revising its advertising rates upward in line with those in the private sector, was not in the consumer's best interests.

The action amounted to a collective pricing agreement between two competing magazines which effectively

limited open competition.

Catch lifted its rates after Ferrier complained to Fisheries Minister Duncan MacIntyre claiming his magazine was losing \$2015 a month due to *Catch's* substantially lower rates.

Ferrier had pointed out that the MAF publication was subsidised, while his had to make a profit to survive.

MacIntyre replied that the Ministry would be happy to raise the rates of *Catch* in line with increases in *Commercial Fishing's* rates.

Catch, in line with that policy, agreed to lift its rates to match its private competitor's.

A stickler for giving the consumer "a fair go", examiner Gordon Stringer frowned on the agreement, and told Adam to revoke it.

The deed was done, but Adam told *NBR*: "We will be revising our rates again — as usual — at the end of the year."

Trans-polar service to fly out of planning stage

AEROLINEAS Argentinas hopes to start a trans-polar service between Buenos Aires and Auckland before the end of this year.

Top Air New Zealand executives Geoff Matheson and Menden Stanton travelled in the pioneer Argentinian Boeing 747 on its return journey last week for policy talks in Buenos Aires. When they get back, it is likely that bilateral talks will be held between the two Governments.

It is understood Air New Zealand regards the proposal that Aerolineas pioneer the trans-polar route as acceptable as long as there is no interference with the carrier's traditional traffic between New Zealand and London.

Air New Zealand itself has

too much on its plate at the moment to pick up any rights it would automatically gain out of a bilateral arrangement, but if the traffic built up on the route, it could start up a service itself any time it chose.

There is a high level of mutual interest between Argentina and South-east Asia (the 747 here last week flew in direct from Shanghai) and it is

known that the highly profitable South American carrier (\$60 million last year) has its eyes ultimately on a through service to Australia and Asia — although it would certainly not get pick-up rights in New Zealand or Australia.

But if Air New Zealand's interest in the trans-polar service to South America isn't high at the moment, a rela-

tionship has been growing over a decade.

In the early 1970s, the then chairman of Air New Zealand, Sir Geoffrey Roberts, predicted the airline's destination after Japan (achieved this year) would be Rio de Janeiro or some other South American city. And since April 1 this year, Air NZ has had a marketing representative in Argentina (Senor Roca in Buenos Aires, serving also Paraguay and Uruguay), and also representatives in Brazil and Venezuela.

Some observers of the travel industry say there could be a lot of traffic drummed up for the route over the next few years, with Buenos Aires only 10 hours away over the South Pole, not much further than Honolulu.

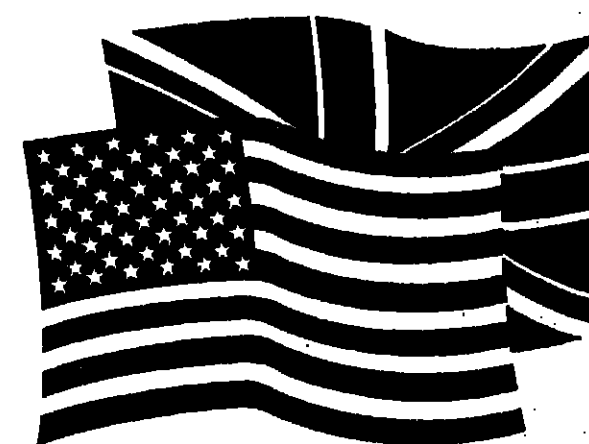
Simulator decision

AIR New Zealand will buy a \$4 million Redifon 747 flight simulator to train its flight crews for the newly ordered planes.

Redifon's New Zealand

agent is Flight and Field Services Ltd.

The commissions paid, if any, — and whether to Flight and Field Services or directly to Redifon — have not been announced.



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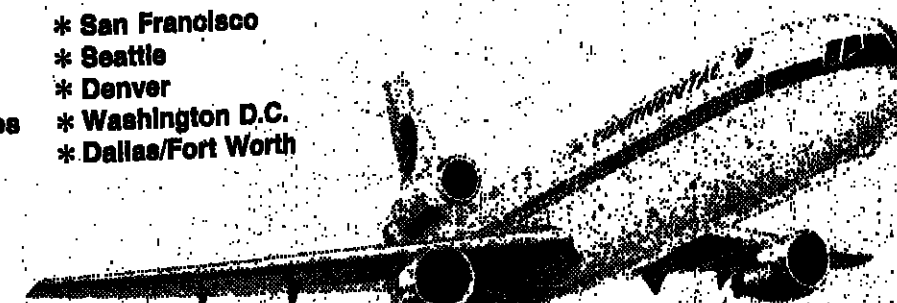
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Letters

Sounding out mussels

"GREEN lipped mussels clamped in controversy" (NBR June 2) states that "the mussel lives under carefully nurtured conditions in the peaceful waters of the Hauraki Gulf".

It is a fact that there is a large marine farm off Waiheke Island and soon there will be two, at least, in Kaipara Harbour.

However, allow me to mention that 120 marine farms involving an area of well over 250 hectares are developing in the Pelorus and Kenepuru Sounds in Marlborough. Another 30-plus licences will be offered shortly, which still leaves a further 120 applications being processed.

Certainly, these farms are in the early stages of establishment, but this year production (in the shell) will exceed 2000 tonnes. A significant proportion is being freeze dried for

export to be used in pharmaceuticals.

Production techniques in the Sounds are resulting in much higher yields per given area.

Water quality and nutrient levels are resulting in mussels whose quality matches the best in the world.

Whatever the outcome of litigation involving mussel extracts, sufferers from arthritis are more likely to find that the source of their relief is the Marlborough Sounds rather than the Hauraki Gulf.

Your correspondent is welcome to come over sometime and see this rapidly expanding resource based industry.

Doug Kidd
MP, Marlborough

Dictum fits bill of farce

I ENJOYED Allan Simm's letter (NBR May 19) teaching Jim Knox how to suck private enterprise eggs.

The dictum that history repeats itself is certainly apt to

Mr Simm's own free enterprise campaign. An economist who is nowadays unfashionable in business circles, Karl Marx, observed that when history does so repeat itself the common pattern is first time tragedy, second time farce.

The free enterprise campaign is endeavouring to recreate the 19th century of capitalism in a 20th century monopoly dominated environment and certainly fits the bill of farce.

Rob Campbell
Industrial Officer
Combined Unions

Legislation a disgrace

I HAVE read the article by Mr Frank Thorpy entitled "Wine lobbying turns the illegal into legal" (NBR, April 28). If what Mr Thorpy said is true, and knowing the said gentleman, I cannot believe that it is not, this piece of legislation is an absolute disgrace.

I agree with Mr Thorpy.

that in many respects New Zealand has a marvellous climate for wine, if for no other reason than the fact that it is uncertain, and to permit such adulteration as is suggested can only mean that it will be a much longer period before our fine wines are known for what they should be.

Our friends in Australia, with whom we are meant to be getting economically closer, can easily fill the gap (and at a lower price) that our apparently inefficient wine growers cannot. Having been in the wine trade myself in the fifties, I agree with Mr Thorpy's remarks that from 1960 on the writing was on the wall.

I thoroughly agree with his suggestions that the Wine Institute which sounds so independent should be renamed the Wine Manufacturers Association and the thought of joining those heathens in the Eastern United States can only be of the greatest detriment to our potential as fine wine exporters.

I do hope that your excel-

lent publication will keep the pots boiling over this appalling legislation.

Duncan Hamilton
Auckland

A plea for provinces

I READ with interest the article written by your anonymous economics correspondent on regional development (NBR, May 12). After Dr Scott pinpointed the problem, that you cannot get the right answers if you don't know the questions, your correspondent then accused Dr Scott of

falling into a trap designed by central Government to do next to nothing for the regions.

I would claim that it was your correspondent who fell into the trap. With 11 slow growth regions crying out for some real in-depth investigative reporting, he had the excuse to do nothing.

Here is an opportunity that should not go begging. NBR, this is your opportunity to get away from that big city desk and into the provinces. And please cover the widest possible sources of information as the broader the base the more balanced the coverage.

Kenneth D Mitchell
Wellington



"Rest assured, gentlemen—any woman who tries to get on this board will have more than her fair share of visible assets."

Politics

By-elections — something for nearly everyone

by Colin James
POLITICS is a competitive business. One side or the other is usually left unhappy at the outcome of any political event.

So the Onehunga by-election is a rare occasion. Election night the Hugh Watt Hall (no prizes for guessing which party) was awash with riotous good humour.

And down the road at an abandoned furniture showroom the Nats are beaming with delighted self-satisfaction.

In the one, celebration of a slumping candidate; in the other, the line held when logic should have dictated a rout.

Onehunga was, however, not all things to all men. Social Credit, whose wily treasurer Henry Raynel (winner of the rape of Labour in Feilding in 1978) who had a doubled percentage

in his sights, had nothing to celebrate. The league's Christchurch Central triumph of last year was not repeated. Its Onehunga vote share rose only by the merest fraction.

And in the Northern Maori by-election Social Credit had taken a mauling — from 14.9 per cent to 8.6 per cent, comparing the by-election polling night figure with the comparable 1978 result (that is, the final result minus special votes counted after polling night and servicemen's votes).

By contrast, the main parties had cause for pleasure in Northern Maori, too.

Labour had taken the seat back from defector Mat Rata. Bruce Gregory had won decisively enough in the country to head off Rata's good showing in urban Auckland.

So dingy, poky Hugh Watt Hall reverberated to guitars and dancing feet.

And down in the bright-lit cavernous acres of the carpet showroom, the party that had stayed out of Rata's by-election for fear of coming fourth saw in Rata's good showing improved prospects of shaking loose the Maori vote from the Labour stranglehold.

The Mana Motuhake movement, Rata's vehicle, also had consolation in defeat.

When last did a radical party in New Zealand get between two-thirds and three-quarters of the vote of the conservative party (in this case, Labour)?

That vote may have been swelled by a transference of anti-Labour protest from National, Social Credit and others, but that alone does not explain its size.

Nor is it simply a matter of a bigger share of a smaller pool. The polling night total vote was 96 per cent of the comparable 1978 figure — ex-

tremely high for a by-election. In any case, analysing the by-election will tell only part of the story and, given the state of the rolls and the special nature of Maori politics, may get even that part wrong.

Mana Motuhake needs to be judged in a broader and longer perspective.

Its parliamentary failure obscures the effect it has indirectly had in changing the nature of political debate about Maori.

Labour Party phraseology and policy on Maori matters have suddenly moved much closer to the objectives of those behind Rata than it had been while Rata was Labour spokesman.

That should take some of the electoral sting out of Mana Motuhake, whatever now happens to the movement as such.

But its influence will still be felt. A telling political statement has been made that Labour and other politicians are unlikely to be allowed to forget. Maori politics has moved into a new phase.

Such waters run deep. The currents are treacherous for political commentators.

But even safe in the more manageable Anglo-Saxon tradition of Onehunga, the eddy currents are a problem.

What on the face of it is a straightforward result with a simple message is not quite what it seems.

Start with the fact that polling night vote percentages in the by-election were almost exactly the same as the comparable 1978 general election figures.

They were: National 39.2 per cent (39.3 per cent in 1978), Labour 48.0 (47.5), Social Credit 11.4 (11.2) and others 1.4 (2.0).

That makes a 0.3 per cent swing from National to Labour, based on the total vote.

It is now time to say that by-elections can be misleading as indicators of the national mood. In Britain same-day by-elections in different seats often produce widely different results.

But Onehunga is noteworthy because the stayput position in its result ties in with recent opinion poll findings that the three parties have for the past few months

been close to their 1978 support (National and Labour hovering around 40 per cent each, with minor variations that do not mean much, and Social Credit a point or two above its 1978 16 per cent figure).

On the face of it, the by-election is bad news for Labour, which should be eating the Government at a time of high inflation and unemployment, if old laws of electoral logic held good.

But there are some qualifications. The first is the rolls.

It appeared at first glance that there was a very low poll — around 50 per cent.

But, looked at another way, there was a creditable poll for a by-election — votes counted on June 7 were less than a quarter (23 per cent) down on the election night count in 1978.

One may conclude from that, that the 1980 roll was as inflated as that of 1978, when the rolls were in chaos.

But whereas in 1978, through a sustained, mammoth effort by voters themselves and the political parties, pretty well everyone eligible to vote got on the roll, there was not time for this in the run-up to an unexpected by-election.

Since the transient area in the Onehunga electorate is principally in Labour's best area, on the flat in the south-east, where Labour had majorities over National of around 30 per cent in 1978, it is fairly safe to assume that such denial of the vote to eligible voters as did occur, probably harmed Labour, perhaps to the tune of several hundred votes or more.

The second qualification lies in the curious apparent polarisation of support. In almost all booths held by National in 1978, there was a swing National's way. Conversely, in almost all Labour-held booths as swing to Labour.

Does this reflect the growing policy differentiation between the two parties? Probably not, given the electorate's slowness to notice change in policy.

Sue Wood was a particularly attractive candidate to National-inclining voters. That (and, perhaps, the absence of the 1978 prime ministerial turnover) is a more likely

explanation. (Wood also did well in booths near where she lives.)

The Labour swings, however, look more like a re-herding of the faithful in reaction against the Government. Sir Labour canvassing in other seats would suggest, anyway.

But the Labour swings were smaller than the National swing in the three zones I selected last week.

In the safe-National chunk in the north, the swing to National was 4.0 per cent. In the Labour-marginal Ellerslie "mixed zone", the swing to Labour was 2.1 per cent. In the safe-Labour south-eastern zone, Labour's swing was 0.9 per cent.

Taken as percentages of their 1978 votes, Labour lost more heavily in the safe-National area than National did in the safe-Labour area. And Social Credit held its vote much better in the safe-Labour area than in the safe-National area.

These figures suggest more hesitancy among Labour sympathisers than National sympathisers.

But the two main parties lost roughly even proportions of their votes in their strong areas. And bigger Labour and Social Credit falls in the north may reflect less organisational effort there.

Which takes us at least some way back towards the Wood-appeal-National anti-Government-appeal-Labour theories.

Thus, from the state of the rolls, a per cent or two more "real" swing to Labour. And, if you subtract Wood's particular appeal, perhaps a little more.

Perhaps enough for Labour to take hope of current's starting to move its way. But a long way short of grounds for confidence. The waters are a bit muddy.

The by-election did throw up one clear pointer, however. As I trekked the corridors of genteel Epsom Girls Grammar School looking for Labour's Fred Gerbie in a liberal studies class, I was hit on the head by a missile.

It says two things about the Auckland middle class's female offspring. They have a certain irreverence. And their aim is good.

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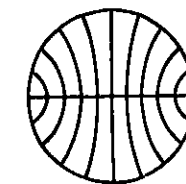
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Carriers plan convoy protest on road charges

by Rae Mazengarb
A LONG slow convoy of trucks travelling from Whangarei to Wellington is poised to set off at the end of next month.

The Tauranga-based carriers' group, Progress, recommended the action at two separate meetings in the North Island last week in a last-ditch stand to legally protest against the unpopular road user charges system.

Secretary Peter Rae told *National Business Review* last week it was all the group could do to keep some carriers — particularly in the Auckland region — from "going into road-block situations".

Formation of Progress had to some extent slowed up those advocating open revolt, he said, but they had lately become increasingly unopposed by statements made by Transport Minister Colin McLachlan and by

Government's apparent failure to respond to their grievances.

Progress representatives had met with Customs Minister Hugh Temple in mid-May, and though he had appeared impressed with the arguments presented, he had failed to make further contact with members, or their lawyer, Auckland tax expert Bruce Grierson.

Progress's executive recommended to members at separate meetings in Hamilton and Palmerston North, that the contemplated convoy should take place.

While the results of those meetings were not available as we went to press, shortly before the Palmerston meeting, Rae told *NBR* he understood the president of the Road Transport Association would be present to attempt to oppose the recommendation. Progress was formed late



Colin McLachlan... no repeal intention

last year, and while many of its members belong also to the RTA, the unofficial body is prepared to go "a lot further" than the official industry association — to get rid of the road user charges.

The RTA — and some of its members — is worried about possible fragmentation of interests, and action that might lead to an unfortunate backlash on the industry. While Progress has said it will work within the law, other unidentified pressure groups have lately emerged which advocate far more extreme measures — many illegal. (*NBR* May 12)

In Parliament last week, McLachlan said he was concerned with the talk about RTA break-away groups who were openly defying the law. ("He was definitely referring to us," Rae said.)

McLachlan said he had consulted with the RTA executive who were also concerned about groups breaking the law and that transport department officers would be on the alert for the law-breakers.

McLachlan said he had no

intention of repealing the legislation.

His statements were "ridiculous", Rae said, and had served only to antagonise operators, some of whom had been financially ruined by the high costs imposed under the road user charges system.

Progress recently demonstrated to Kaimai MP C B Townshend — using visual

aids — how some truckers were tampering with odometers to cheat the system.

Townshend was asked to take measures to save as much money as possible. The obedient public servants did as they were told and made every effort to find cheaper ways to do things, short of doing themselves out of paying work.

No new xerox machines, typewriters, calculators or computers were purchased. Existing capital works projects went ahead, but no new ones were started. Hospitals and labour boards had to make do with increasingly outdated and worn out equipment.

In his fairytale land, typists were shared among several public servants and it was often cheaper to write memos rather than type them. Further savings were made by writing on both sides of the paper.

Teachers taught increasingly larger classes. Hospitals found they could best cut back by seeing fewer patients and letting those needing only service equipment, such as oxygen tanks go without paid treatment. The Police department saved money (and petrol) by keeping its employees behind desks at central police stations rather than sending them on patrols.

Public servants found their jobs passed quickly as they devoted themselves to routine jobs like writing everything neatly on both sides of the paper. Teachers did not need to keep their large classes under control. Surgeons took longer over each patient because they lacked tools like X-rays and scanners to locate the symptoms quickly. And the police found their time fully occupied trying to recover stolen goods and apprehend thieves and rapists over the telephone.

After several years of cutting back costs, the Prime Minister announced proudly that the annual rate of increase in government spending had fallen dramatically. And the Prime Minister was particularly pleased to say that the

government's budget was balanced with the increase in tax revenue just equalling the increase in public spending.

In his speech televised at 4pm rather than prime time (to save money), the Prime Minister thanked public servants for being so efficient. And to say, most worthy public servants were at work at the time he made his speech and did not get the pleasure of hearing how efficient they had been.

An overseas researcher visiting the South Pacific island group found that public servants took great pride in their minimal jobs. It was better than being unemployed.

Output of the island's goods and services was falling and the standard of living was in shambles. The majority of the population was illiterate, in poor health and there was general disorder.

Although the government had long ago cut back on its use of resources, the private sector was not educated enough or in a strong enough financial position to take up the slack. Unemployment was massive because private firms were not expanding, and because much of the labour force was in poor health.

So although the rate of growth in the public sector had fallen to nearly zero, the proportion of public spending to national output was as high as ever because the private sector was so unproductive.

Only a few foreign-owned companies were making increasing use of the island's abundant energy resources, but any profits were going overseas. The Reserve Bank had pruned its activities to keep in line with other government financial cut-backs, so it was no longer able to control the outflow of foreign capital. The labour force did not even benefit from the activities of foreign-owned companies because, unlike the government, the foreigners could afford modern technology that did the work of men.

The above story could come about in New Zealand because this Government (and many of its departmental

heads) seem to be pre-occupied with cutting back the financial costs of its activities.

Government departments are being asked to be more efficient. There is nothing wrong with being efficient, but the popular meaning of efficiency is extremely narrow. An activity is efficient when it is being performed at least financial cost.

The economic concept of efficiency is wider. Resources are allocated efficiently in economic terms when no resource can be transferred to some alternative use or to some alternative owner without making at least one person worse off, even if the welfare of others is improved.

This definition includes the popular notion of least cost being a measure of efficiency. But it goes deeper than that for it specifies that even if every good is obtained at least cost, these goods must be so distributed among members of society that no redistribution may take place that benefits some without harming others.

Unfortunately this definition does not get us very far in practice because welfare cannot be measured in terms of financial costs and benefits. One of the reasons for the existence of a government is because it provides goods which have a value which cannot be measured in the market place.

In the end, the best way to evaluate the Government's activities may have to be in terms of its stated objectives. These objectives represent some wider view of what Government activities should accomplish. Then the next step is to see that the least cost methods are applied to achieve them.

But how can the public ever know for sure what the Government's stated budget objectives are? The election manifestos could hardly be called a listing of a government's intended objectives — they are more like wish lists.

The Budget document itself provides an opportunity for the Government to explain what its targets are and how it hopes to achieve them, but this exercise has tended to be too highly politicised for the Government to reveal its true intentions.

So the closest we ever come to evaluating what the Government says it wants to do in terms of what it does do is the report of the Controller and Auditor-General. The Controller and Auditor-General has patiently been producing departmental and local authorities to bring their accounts up-to-date and to develop accounting formats which could be easily understood by their voters.

Spending control demands more than an abacus

ONCE upon a time on a group of islands in the South Pacific, government departments were asked to take measures to save as much money as possible. The obedient public servants did as they were told and made every effort to find cheaper ways to do things, short of doing themselves out of paying work.

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The latest CAG Report covering trading and administrative departments, local authorities, corporations, marketing and statutory boards also goes to some lengths to explain that we do have rights to demand no taxation without representation.

But the report also notes the development of a comprehensive approach to the professional obligation of the audit office in performing efficiency and effectiveness audits. This is a step in the right direction.

Let us hope, however, that Government departments recognise that projects have economic as well as financial costs and that a broad definition of efficiency is adopted. It is all right to want to control government expenditure, but let us be sure that it improves the standard of living not worsens it.



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CEA/ED

Profit-makers lean right and loss-makers lean left

BANK of New Zealand Chief Economist, Len Bayliss, keeps plugging away at official economic policy in spite of regular rubbing from you know who.

Bayliss' latest foray into these murky waters is his address of June 10 to the Manawatu Economic Society.

He was back on the long-standing platform of a substantial devaluation of the New Zealand dollar, control of the money supply, more relaxation of import licensing and other protectionist devices, and changes to fiscal policy.

This time Bayliss added in specific proposals for limiting income movements on a sliding scale to amounts below the increase in the "cost of living", by which I presume he means the Consumers Price Index.

"If there is to be a worthwhile rise in investment and a reduction in inflation,

there must be some restraint in the growth of both consumption and incomes — and this is unlikely to be acceptable in spite of the policy proposals listed above unless there is a general recognition that restraint is 'equitable'.

"The rise in the family benefit is designed to preserve the real incomes of single income/low income families with children. For other wage earners earning up to \$10,000 per annum real incomes should be reduced by holding wage increases to 3 per cent below cost of living increases — while a much larger pro-rata reduction should be borne by those wage and salary earners on higher incomes rising to 10 per cent on those earnings over \$40,000.

"Charges for professional groups should only be permitted to rise by the cost of living less 10 per cent. Such moves would make it clear

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses company accounts.

that the initial burden of readjustment was being fairly shared and should provide a framework in which rank and file trade unionists and their leaders can support or at least not strongly oppose the proposed moves which are in their own long term self interest."

With respect to Bayliss, while this proposal may seem "equitable" and so on, he seems to have overlooked two points.

First, the higher income brackets are being hit already in relation to lower income groups, under the progressive tax structure. Second, the proposals sit curiously with calls for greater incentives and reliance on initiative. The lack

of incentive, and punishment of initiative, are a reason (but not the only one) for the "heavy emigration" referred to in Bayliss' address.

The tax element is important. At first glance an individual on \$40,000 is earning 4 times as much as a person on \$10,000. When we look at the tax, a different picture emerges. The earner with \$40,000 of assessable income has a net figure of \$19,965.92 after tax (we have taken the "S" tax code for simplicity). On a similar basis the person with assessable income of \$10,000 a year has net income of \$7,528.04. Instead of a ratio of 1:4 we have a ratio of 1:2.65, which is quite a change.

The position is worse in the case of the "professional" who operates under fixed charges. Once you go past 40 hours the same charge out rate applies to the work.

The client fails to wear an argument that his work comes in the hours from 40 up to 50, 60, or 70.

The same principle applies to executive staff and so on who are paid a salary to do a job, irrespective of how long it takes.

Try applying that principle to any other section of the community which is paid on an hourly rate, or a 35 or 40 hour, week, and see what would happen.

If Bayliss' scheme were to be enforced it might be appropriate to adjust it for an "hours worked" concept, and to have a look at the most privileged class in earnings stakes; those paid from the public purse for doing "administrative" tasks, in the higher income brackets.

Many of those people are implementing (or dreaming up, in spite of their curious protestations that ministers make policy) the various economic policies to which Bayliss takes exception. Apart from the sections of the broad public service which provide the true "services" (teachers — as opposed to educational administrators —

police, transportation, workers, hospitals, mail, etc.) people and so on) the cost may run very well (possibly better) if large sections of the balance took a long holiday.

While Bayliss can be criticised on those grounds, other comments and suggestions are commonplace, particularly the statement that in sections of the economy there is no, or limited, competition.

"This situation reflects a number of causes — import regulations and business procedures, business monopolies, cartels and other widespread restrictive practices by professional groups, trade unions etc."

The large scale devaluation proposal is unlikely to succeed in the short term, unless the Government does an about face (perhaps possible), because the "gradualism" philosophy. Much of Bayliss' paper is summed up in a few years ago used here a few years ago, subsequently given the accolade of plagiarism by certain politicians who are capitalists when they make a profit and socialists when they make a loss.

Analysing annual accounts: Autocrat Holdings

AUCKLAND based Autocrat Holdings Ltd returned to the respectable level of profitability in the year to February 1980, after several years of comparatively poor performance.

The electronic equipment manufacturer and distributor earned 18.6 per cent on shareholders' funds last year, the first time since 1975-76 that the rate has been above 10 per cent.

Autocrat used to be a high flyer in terms of earnings rates, but the company's reorganisation in 1976 (when a new holding company took over the interests of Autocrat Radio Ltd) coincided with the general recession, which was particularly severe in the consumer electronics industry.

Capital rose from \$630,000 to \$2,520,000 after the reorganisation, and was further increased in 1978 when the company issued 480,000 \$1 shares to Sanyo Electric Co of Japan.

Autocrat has the New Zealand franchise for Sanyo equipment, a range which covers colour TV receivers, stereo and radio products, business machines, vacuum cleaners, batteries, and other goods.

consider Feltex offer

Shareholders may think the offer for, in the circumstances of the retail industry and their company's recent share price, although there is a curious gap between 1973's price and that of 1980.

Some of us can see seven years ahead, but it would be interesting to know, with the benefit of hindsight, whether the Feltex directors considered they may have paid too much for their 60 per cent holding.

They could have made a mistake, because we all do, as shown by a recent comment in this column.

On March 24 I suggested Fletcher would earn about \$23 million in the year to March 31, 1980, and on that basis considered the shares were worth around \$4 cum bonus.

We all know now that Fletcher earned \$30,161,000 for the year, before taking \$103,297,000 or \$28 for each Fletcher ordinary share.

Another amount has to be added to the Fletcher figure, in my view, to take account of the fact that the company's land and buildings (including items taken to the books as "subsequent cost") are valued at 90 per cent of their government valuation.

If those assets are written to 100 per cent of government valuation, an amount of \$3,457,000 must be added to Fletcher's net asset backing, which will result in an adjusted backing of \$2.37.

Three times \$2.37, plus cents, comes to \$7.11, compared with twice Smith and Brown's asset backing which equals \$7.34.

The difference of 13 cents, minor, given the total amount involved (it is only 1.7 per cent), and the fact that shareholders would be likely to receive net assets from other offerors who would be looking at the potential earnings of the retailer, seems to exist.

The Smith and Brown

The latest accounts show an 8.2 per cent lift in sales and rental revenue to \$16,551,000. The profit and loss account omits a statement of expenses (or their breakdown), but "trading profit before taxation and extraordinary items" was \$2,138,000, compared with \$459,000 in the previous year. Trading expenses therefore went from \$13,911,000 to \$14,413,000, an increase of only 3.6 per cent.

That remarkable performance receives perfunctory treatment in the chairman's review.

Chairman Ray Walker says: "The improvement resulted from increased rental revenue, higher unit sales of all consumer products together with margins being maintained because of the relationship of the New Zealand dollar to the yen, and our control of costs."

It would be interesting to see in more detail the benefits from each source, particularly the "relationship of the New Zealand dollar to the yen".

The accounting policies say that gains or losses from exchange movements are treated as revenue items, but their is no indication of how much "gain or loss" is included in the profit and loss account.

The fact that "margins were maintained" through the

dollar/yen relationship last year is no guarantee that the same position will be preserved in future, given the volatile state of international currency markets, although the group may receive some benefit from the new system of setting our exchange rate and forward cover announced in the 1979 budget.

Autocrat is a relatively small company (shareholders' funds of \$6.5 million and total assets worth \$13.7 million), and therefore should not be expected to produce a massive amount of information at substantial cost.

But the balance sheet has notable omissions. The lack of information on rental equipment is the main fault.

The company says it "increased rental revenue", and then says "working capital was again used this year to

finance expansion of the rental division. Alternative longer term finance will be considered this year to ensure that planned growth is achieved".

A good statement of policy, if rather vague. We turn to the balance sheet to see how the rental division "expanded", a growth factor which would assist understanding of "increased rental revenue".

There is nothing to see. Group assets are listed as: Fixed assets, \$4,250,000; investments, \$4,000; cash at bank and on hand, \$153,000; accounts receivable, \$3,001,000; and inventories, \$6,274,000.

The notes to the accounts say that land and buildings, less depreciation, are worth \$747,000, and that the net value of "plant vehicles and equipment" was \$3,503,000 at balance date, compared with

\$2,491,000 in 1979.

The cost value of this equipment went from \$4,440,000 to \$5,972,000 in the same period. Where is the rental equipment? Buried in the total plant and equipment, which includes manufacturing plant?

Examination of the accounts receivable adds nothing to knowledge of what happened in the rental division, because the element "provision for unearned income" (\$136,000 last year, compared with \$127,000 in 1979) relates to accounts receivable which are hire purchase contracts, or similar debts.

A rental agreement falls outside that classification, because it is an "off balance sheet" item, except for rental payments which have fallen due and are unpaid at balance date.

The result is that we take the

directors' word for the fact that "rental income increased" and that the company expanded its rental division.

The lack of information is important, because a rapidly growing rental operation has a sizeable effect on the company's value.

A brief consideration of Transvision Holdings and the Group Rentals division of General Finance (now part of New Zealand Motor Corporation) confirms that point.

The shareholders will probably overlook the vagueness of accounting disclosure (and a similar vagueness in several of the chairman's comments — "a significant profit contribution" — "satisfactory contribution to group profit") since they are receiving a substantial increase in dividend from the record net profit.

What Union Company customer service means to David Stone.



When Henderson & Pollard first began exporting plywood to Australia four years ago, marketing manager David Stone soon learnt that ships were only part of the Union Company service.

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Mahogany row loses awe-inspiring desks

by Peter Isaac

THE awe-inspiring desk that has been the centrepiece of mahogany row for so long has become the dinosaur of the office equipment scene.

"Nowadays executives seem to be going for tables rather than large desks," said Ross Walker, furnishing manager of Zip Industries. "The trend is for conversation areas."

The big desk concept gained popularity in New

Zealand 10 years ago under vigorous promotion by management guru John Wareham. In his books Wareham likened it to an "altar" behind which the executive could exert an almost mystical power over anyone on the other side.

"You still find large desks," said Walker, "but there is almost always a separate area for conversation."

Gary Couchman of Ark Associates, a leading office design group, said an execu-

tive-size desk is now paired by a "low seating area" for conversation.

There is a strong trend for firms in the creative field — such as advertising agencies — to abandon desks altogether. Some companies now have small desks that fold into the wall when not in use. The executive perches on a high stool and works on the fold-away schoolchild-size desk.

The emphasis, Couchman stressed, is away from the

desk, toward the low-lying "discussion area".

But, "authority figures" — those with responsibility — still prefer to preside behind a large desk.

The shrinking desk reflects the growing surface informality of business and the shift of top management toward their true roles as policy implementers. Paperwork is being pushed down to the computer room.

A regular computer digest

of the main points of information has replaced reams of manila files and loose leaf binders.

Managers have become more people-oriented, and devote more time to talk and discussion.

Massey University business procedures and marketing specialist C W Maughan said "it is now considered bad manners for a manager to remain seated behind a desk when addressing visitors."

Maughan said information now plays a pre-eminent part in executive success. "Managers want to remove any possible barrier to a free-flow of information, and a decision. The desk represents a barrier."

The old-style manager used to take a not-so-subtle position, retreating behind the barricade of a desk; the new manager often prefers to move business as if it was a club.

The emphasis is on the team and it is no longer possible to get a united team approach. One senior manager said: "The big desk as a hire/fire prop."

The interrogation-style interview days are gone. The top-flight job applicant is as anxious to find out about you, as you are about them. They cannot be considered an applicant begging for a job.

The giant desk, often clad with leather, enjoyed a brief popularity in the late 60s. Then, the Power Game was strong. A battery of telephones, alongside a portable-sized desk was the hall of managerial authority and decision making.

The swift shift to mobile-partitioned offices and open-plan killed it off. The big desk — some weighed as much as a small car — were too heavy to shift around. Many of them were chain-sawed apart and thrown on the tip.

The demise of the "altar" desk gave way to a new era: there is now a move back toward a desk as an expression of individuality.

Corporate lawyer John Watts works at an intricate replica of the desk. The Napoleon carted around with him on his campaigns. It's the original, the desk folds up and can be carried away with ease.

The furnishings part of the office equipment industry remains buoyant.

Office construction programmes in Wellington and Auckland have created a lot of space that must be furnished.

Older buildings such as Wellington's Commercial Travellers Club, have been refurbished and need to be re-equipped with modern furniture.

Changing fashion patterns have created a planned obsolescence. An open plan that might have been attractive a few years ago can quickly begin to look tawdry. Occupants do not have the territorial pride they once had in their old personal offices.

"In the old days a desk would be used for generations, and become more stately as it grew older and more comfortable," commented one administration manager.

"The new smaller, versatile variety begin to show their age much more quickly."

REVOLUTION? or EVOLUTION?

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Government freebees clutter up prime time

by Warren Berryman

TELEVISION New Zealand's biggest growth area since the service was restructured last February has been in Government and quasi-Government advertising time.

While private companies pay increased rates for television advertising time, TVNZ is handing out more free time to Government agencies, often to the detriment of private enterprise.

Private companies are locked out of prime time ad spots by reason of overfull schedules while Government agencies are filling prime time slots.

An analysis of comparative advertising time from the flatter TV analysis shows the growth of governmental advertising.

The month of April 1979 (pre-TVNZ) compared with April 1980, shows that advertising time values for the Government-owned Listener were up 110 per cent; TVNZ Community Service ads up 400 per cent; Health Department ads up 306 per cent; total institutional ads (charitable appeals) up 201 per cent; total Government department ads up 92 per cent.

In many cases Government and quasi-Government department ads are used as fillers, in addition to the allowable 10 minutes in the hour of advertising time.

Private companies pay top prices for TV advertising but find the effectiveness of their ads reduced by the increased clutter.

When TVNZ came into existence, BCNZ chairman Ian Cross insisted on regular clock hour starts and common junctions for programmes on both channels, so viewers could switch channels at the beginning and ends of programmes.

But programmes do not always fit neatly into hour or half-hour time slots when 10 minutes in the hour is allowed for advertising. When gaps occur, TVNZ uses fillers.

Network One has regional breakouts — which must all be equally filled with different ads, to run at the same time from different broadcasting points. When one region cannot fill its schedule fillers are used.

Under the old system, South Pacific Television used to reward its loyal paying advertisers with "freebees" — running their ads free of charge to fill the gaps. Now the freebees go to the Government.

TVNZ must keep commercial time to 20 minutes in two hours or lower.

But there are no regulations on non-commercial fillers. The advertisers paying for an ad in a programme with a big gap at the end can find their ad lost in the clutter, as the viewing public tires of advice on how to avoid drowning, wrecking their health with cigarettes or booze, or pranging their cars on the road.

Cigarette companies, brewers and winemakers pay for their advertising in the

print media — and then pay again with a TV licence to watch Government agencies tell the public not to drink or smoke.

Private enterprise competes with the Government-owned bodies in many spheres of commercial activity. Private truckies compete with the Government's Railways,

private radio competes with Radio New Zealand, finance companies vie with Government for investors' funds, and so on.

Some Government agencies pay TVNZ for at least some of their advertising. How much advertising is dished out by TVNZ to Government agencies as freebees is not

known. Private companies no longer get freebees. And the amount of filler ads needed has increased — not diminished — under the new TVNZ system.

The 92 per cent increase in the value of advertising time filled by Government departments cannot be explained in terms of increased advertising rates. It is unlikely that Government departments have increased their ad budgets by three to four times the amount of the increase in private sector budgets.

Paid for or not, these additional ads do fill the slots and make the new system appear to be working well.

The Auckland Star is running a big TV ad campaign to boost circulation — on the same TVNZ that gives freebees to its competitor, the Listener.

During April, total ads for the Listener on TVNZ would have been worth \$109,555 had the Listener paid for them which it did not.

The Listener owes about half its readership to its monopoly on publishing week TV guides.

The additional boost from Government-subsidised advertising does not make private publishers very happy.

March 31 was the first day of commercial transmission for TVNZ. The Listener had eight ads on Network One in Auckland and Wellington that day, one of them in the highly-rated programme, *Minder*.

And what was the *Listener* asked to publicise? Well, that isn't the point of this story.



Ian Cross regular starts.

The same day, a total of 26 Government or quasi-Government freebee ads were shown on Network One in Wellington and Auckland. These ads ranged from Radio New Zealand commercials to blarney from the Ministry of Energy.

Some of them filled commercially desirable slots in high rated prime time programmes.

If they can't buy these slots themselves advertisers would like to see these slots used for promoting programmes in which they have paid for ads.

Rather than run a freebie of Government propaganda, Network One might serve TVNZ's advertisers better if it made viewers aware of a good programme coming up on Network Two.

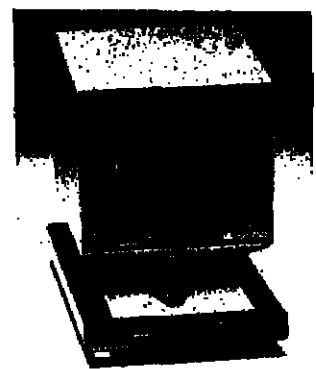
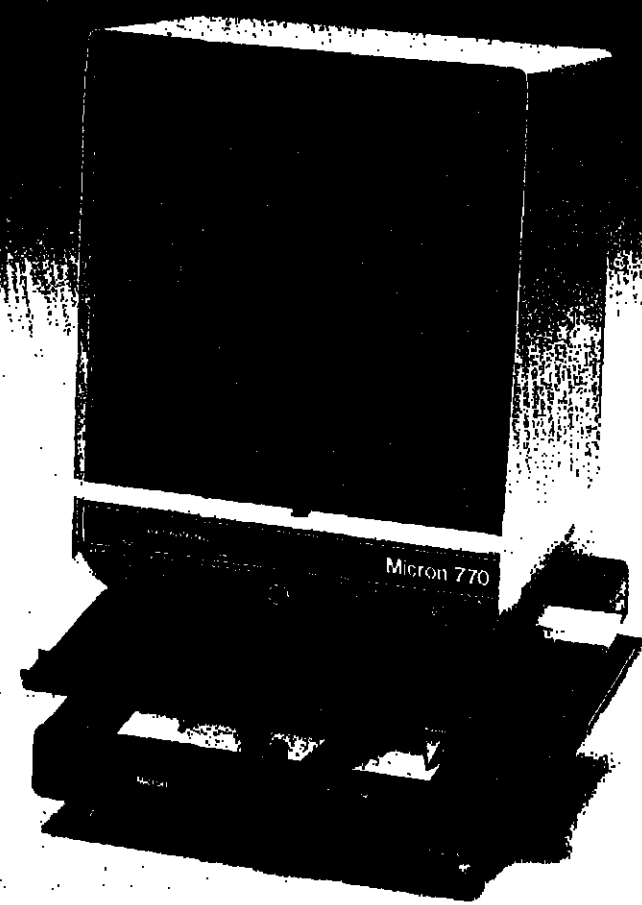
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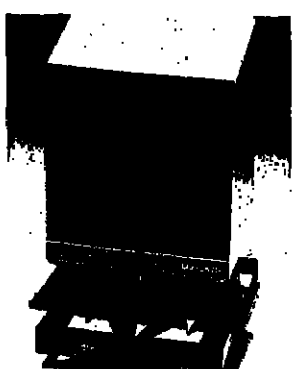
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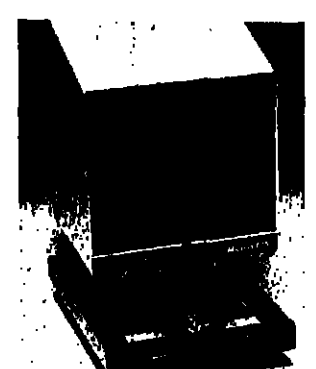
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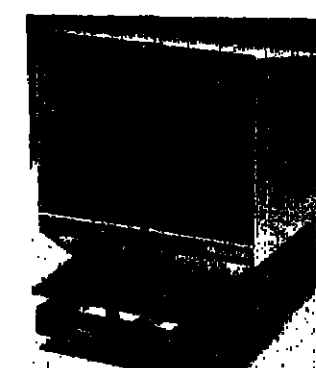
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ADVERTISING MARKETING PUBLIC RELATIONS

Motel case tests resident site licence rights

by John Mullinder

WHILE mining companies are rushing to rediscover gold in the Coromandel, a legacy of last century's gold fever is at issue in a Hamilton courtroom.

If Hauraki Maoris win the test case, hundreds of people on the peninsula will be affected and the Government could face a massive compensation bill.

The case has its origins in the 1860s, when thousands flocked to the Coromandel in search of gold. Their way was eased considerably by Crown negotiations for access to Marutuahu land.

"The Maoris were more or less bribed," says Thames historian Alistair Isdale, citing the case of one miner who trespassed on non-negotiated land and got into a fight with the owner's sons. The miner was fined \$2 with the option of a month's imprisonment; the

IT'S an ideal setting for a motel — three hours' drive from Auckland with beautiful views of the Hauraki Gulf and ready access to Coromandel beaches and bush.

Local businessman Ben Candy and builder Keith Morrison saw the possibilities in 1973 and invested.

Today the Anglers' Lodge at Amodeo Bay, 20 kilometres north of Coromandel township, is a four-star motel charging \$23 a night for a bed.

But the Marutuahu Maoris have tried to block Candy and Morrison at every step — first through the Town and Country Planning Act, then by serving writs on three Government departments (Mines, Lands and Survey, and Justice) with Candy and Morrison as second defendants.

The case is now before Mr Justice Grieve in the Hamilton High Court. A reserved decision is expected any day.

The Marutuahu claim that Candy and Morrison's motel complex lies on land ceded to the Crown for gold-mining purposes were fined \$10 each or two months' jail.

Unable to meet the fine and with the prospect of his sons being taken to Auckland, the owner approached the civil Commissioner for Hauraki, James Mackay, and asked for a loan. Mackay agreed, but stipulated that the money was to be regarded as an advance

on miners' rights for the land. It was the thin end of the wedge.

As gold fever mounted Mackay negotiated access to more and more land. Several hundred square kilometres were ceded to the Crown "for gold-mining purposes". Some of the land was used

poses 113 years ago. The land, they say, has never been used for gold-mining. And the resident site licences (RSL) on the site were wrongfully issued; the owners weren't consulted, the licences weren't current, and the licencees didn't have the necessary miner's right.

The Anglers' Lodge case brings into question the RSL system and has implications for all licence-holders in the Coromandel. Are their licences valid and are they validly held? Do RSL holders have legal access across ceded land to their sites? And what authority does the licence-holder have to occupy a greater area than that stated in the licence? Does any licencee have the right of transfer or assignment to a person who in no way uses, or intends to use, such a site for mining purposes? Who owns the improvements?

It's to these questions that Mr Justice Grieve is now addressing himself. The Marutuahu are waiting. They've been waiting a long time.

received annual payment for one pound per digger. Each prospector was allowed to mine up to a seventh of a hectare; frequently diggers extended the area of their claim by working in parties.

For another 15 shillings a year (for 42 years) the miner could peg out land near his claim and erect a dwelling on it. The solicitor acting for the Maoris, Fin Phillips, claims that under the old mining legislation there would have been grounds for the RSLs to be declared null and void since they weren't being used for the purpose of the deed (gold-mining).

Those were called resident site licences (RSLs).

Today the ceded land is Maori freehold but still under the jurisdiction of the Crown for mining purposes. And dotted on Maori land around the peninsula are about 30 resident site licences.

In many cases permanent homes of considerable value stand on the sites, a far cry from the miners' shacks of the 1860s.

The licences can be renewed for up to \$2 a year.

"That's peanuts," says Hauraki elder Shu Tukutuku. "We want our land back. For the Crown to keep it for non-gold-mining purposes is a manifest injustice."

To remedy that injustice the Marutuahu petitioned the Government 11 years ago. Submissions have been made to select committees, meetings held with Ministers, negotiations begun with the Department of Lands and Survey, and a letter written to the Prime Minister. Finally, the owners pushed a test case to the High Court.

The Marutuahu do not want to evict people from their homes. They do, however, want compensation for their loss.

The Department of Land and Survey is trying to get the licence-holders to surrender their RSLs. With limited success.

One Thames moteller who has licences for three unoccupied sites refuses to hand them over; they provide a scenic backdrop to his motel. There was, according to Phillips, some suggestion of the licences being taken under the Public Works Act.

"The Crown is caught in the middle," says Bryce Briffault of the Department of Lands and Survey, Hamilton.

"We can only buy from a willing seller. Of the 10 sites without dwellers on them, the Crown's bought three, others are under negotiation."

Asked about using the Public Works Act Briffault replied: "Yes, but is it a public work?"

The occupied sites, some with dwellings worth many thousands, pose a far greater problem because of the need to determine who in fact owns the improvements: the landowners, the Crown, or the licencees. This is why the owners have gone to court and why the issue has taken so long to resolve.

Initially the owners agreed to accept the unimproved value of the land but changed their minds when they saw one or two motels going up, a change of mind which has been interpreted by some as an attempt to get more in compensation.

Not so, according to the owners. They reason that if it's decided they have to pay for the improvements then it's going to cost them far more, and take far longer, to get their land back. Better to get in and settle now.

Galbraith sees economics not as immutable laws

by Gordon McLauchlan

JOHN Kenneth Galbraith is that remarkable combination — economic thinker and fine prose stylist. The one talent seems normally to exclude the other.

He takes great pride in this rare ability of his, to the point where he does it in his latest, *Annals of an Abiding Liberal*.

In his way, in a chapter entitled "Writing and Typing," Galbraith attacks the jargon-mongers of the social sciences, referring to "the peculiar pitfalls for the writer who is dealing with presumably difficult or technical matters."

Economics is an example, and within the field of economics the subject of money, with the history of which I have been much concerned, is an especially good case.

"Any specialist who ventures to write on money with a new to making himself intelligible works under a grave moral hazard. He will be accused of over-simplification."

The charge will be made by his fellow professionals, however obtuse or incompetent, and it will have a sympathetic hearing from the laity. That is because no layman really expects to understand about money, inflation or the International Monetary Fund. If he does, he suspects that he is being misled. Only someone who is decently confusing can be respected.

In the case of economics there are no important propositions that cannot, in fact, be stated in plain language.

Complexity and obscurity have professional value: they are the academic equivalents of apprenticeship rules in the building trades. They exclude the outsiders, keep down the competition, preserve the image of a privileged or priestly class. The man who makes things clear is a scab. He is criticised less for his clarity than for his meanness.

Beautiful stuff. So often one feels like leaping out of the chair while reading this and shouting, "Stick it up 'em, John K!"

Annals of an Abiding Liberal is a collection of his more recent essays in which he elegantly paints pictures of modern political, economic and social life in the United States. But it has a striking relevance to New Zealand because he always sees economics not as a set of immutable laws to be disobeyed at society's peril but simply as a way of organising the use and distribution of resources.

The first chapter, "The valid image of the modern economy," will strike New Zealanders like a revelation. He sets out to "provide a comprehensive and integral view of the principal problems of economic management in our time," offering an alternative picture of the structure of modern economic society.

Well, it is quite extraordinary how he then describes the sort of problems about which New Zealand is making decisions at the present time.

We have just made our collective mind up to switch over to a consumer-orientated economy — with what I feel is an anachronistic trend towards the old *laissez faire* position, based on the assumption that the consumer should be allowed to dictate terms to business, not by changing the rules but by abolishing them. Well, read

some of these extracts...

"Economists are avid searchers for new information, eager in their discussion of the conclusions to be drawn. But nearly all this information is then fitted into a fixed, unchanging view of the role of business firms, markets, labour relations, consumer behaviour, and the economic role of the government. It is not an accident that economists who see their subject in evolutionary terms are a minority in the profession."

"To say that the firm is subordinate to the market is to say that it submits to prices that it does not control and that it submits, ultimately, to the will of the consumer. Decision originates with the consumer, and this decision, expressed through the market, is sovereign."

"In one exception, the firm has influence over prices and output: that is the case of monopoly or oligopoly, or their counterparts, in the purchase of materials and components, products for resale or labour... They are imperfections in the system... To any economist the broad image of economic society that I have just sketched will not seem replete with novelty."

"The image is not valid. But it does contribute both to the tranquility of the economist's existence and to the social and political convenience of

modern corporate enterprise."

"The valid image of the economic system is not, in fact, of a single competitive and entrepreneurial system. It is of a double or bimodal system. The two parts are very different in structure but roughly equal in aggregate product."

"Thus the valid image of modern economic society is the division of the productive task between a few large firms that are infinitely large and many small firms that are infinitely numerous."

"The modern large corporation has extensive influence over its prices and over its costs."

"In its fully developed form, the corporation, as

others have emphasised, removes power from the ownership interest, the traditional locus of capitalist authority. No director of General Motors, Exxon or IBM who is not a member of management... has an effective influence on company operations."

There, that's just a taste to draw you on. It seems to me that anyone thinking about the shape of New Zealand's future couldn't help being enlightened and influenced by this fine essay.

Annals of an Abiding Liberal is more like Galbraith's earlier *Economics, Peace and Laughter* than anything else he's written. There is an hilarious chapter on his life-long

security rating, called "My forty years with the FBI", and he touches lightly but intelligently on such diverse subjects as "The higher economic purpose of women", "What comes after General Motors", "The multi-national corporation: how to put your worst foot forward or in your mouth", "Evelyn Waugh", "Anthony Trollope", "John Dean, ambition and the White House", "RN: the memoirs of Richard Nixon".

Galbraith has to be one of the most perceptive observers of the current scene writing today. He is perhaps the modern equivalent of the long-ago English Man of Letters. He certainly wrote well enough.

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Graham: tougher times herald in new awareness

by Rae Mazengarb

A PRODUCT of the Depression years, David Graham — recently appointed general manager of Union Maritime Services Limited and chairman of Enterprise New Zealand — recalls his father securing his first job after a long period of unemployment.

It would be difficult to imagine Graham on the outer. He has surfaced as a successful young executive during a career fraught with takeovers, industrial problems, and all the problems stemming from the advent of new technology.

An acquaintance once described him as "the sort of bloke who would look appropriate in a photograph of any board in the country."

He is an extrovert and an entrepreneur; pro-New Zealand and pro-private enterprise.

A business colleague describes him as a good negotiator and — like the company he joined in his youth — strongly disciplined, with a clear sense of what is moral.

He has definite ideas on most subjects — enthusiastic almost to the point that he is apt to get carried away when discussing "pet" topics. But he is a good listener, an associate confidant.

Some might see him as a little too "straight", but those who know him say he is genuine and personable.

"I grew up in a time when we were taught to work hard — an honest day's work for an honest day's pay," he said. Paramount to Graham's outlook is the concept of freedom.

A "free society" means to Graham: "The things that I've enjoyed... freedom of choice... to decide who to work for... what to buy, freedom of worship — who, when and for whatever reason. I fear these things are being gradually eroded."

On the international scene, he sees the growth of "Communist nations and philosophies that deny these things." Much closer to home, he is concerned at the growth of the bureaucracy and the public sector and its intrusion into the lives of individuals.

Not surprisingly, Graham was a willing starter for a programme like Enterprise New Zealand.

"It's becoming a catch-ery," he said. Even the Labour Party was talking about it.

But the time had come to bring together all the people who were "glibly" mouthing the sentiments, he said, referring to the forthcoming convention in Auckland.

"We hope to see some strong and united views."

He believes there is a new awareness in today's society that has sprung from tighter economic times.

"In the period just past young people didn't need qualifications... didn't fully appreciate their jobs."

Some might argue this could still be the case, but Graham doesn't agree.

"Today we're all beginning to realise that no one owes us a living — it applies to governments too," he said.

Like individuals, governments cannot keep borrowing and living beyond their means.

"It appalls me to see we're



David Graham... a clear sense of what is moral

borrowing large sums to fund non-profit enterprises. We over-emphasise the need to provide social services. It's not good enough for university students to say no cuts... emphasis has to be on the productive sector," he said.

Yet he describes himself as "very much a liberal".

"I believe in welfare... but it must be within our means."

Born in 1928 in Wellington, Graham has spent most of his life in the capital.

His grandfather — a carpenter — had arrived in New Zealand from Scotland and established a small family business in the city manufacturing furniture.

His father, and now his younger brother, opted to carry on in the family company, but Graham's earliest desire was to go to sea.

At the age of 19 he joined the shipping company he still serves. (Had he not been too young for the navy during World War II, he might have made that his career.)

He says his eight years at sea as a purser between 1947 and 1954 taught him one major thing more valuable than any amount of schooling — tolerance.

For the next 10 years he held the position of manager of Pacific Island branches, including Cook Islands, Western Samoa and Fiji.

In a situation where he was divorced from head office, Graham said he had to learn how to make prompt decisions — and take risks.

"I also had to learn to understand working and living with another race," he said.

Since that time he has continued to return to those places where he says he still has many friends.

He returned to Wellington as local manager until 1972 when he was appointed manager of branches with responsibilities for the company's stevedoring division, including roll-on/roll-off terminals, and Onshore Oil Servicing.

Just before his present appointment — taken up this April — he held the position of general manager of the stevedoring and agencies division for the parent Union Steam Ship Company.

The trans-Tasman service has come in for its fair share of criticism, but Graham emphasised, there was nothing to stop anyone operating a service in competition with the Union firm.

He believes the operation is a successful one and is willing to take on anyone who argues that it is not keenly competitive.

In his years with the firm, he has seen plenty of change.

"I can vividly recall the manual operation of loading and unloading ships," he said. The end of each day saw "tired old men".

The drudgery has been eliminated by the use of mechanical equipment; the people employed are using new skills and talents.

New technology is not something to fear, Graham believes.

Not just on the waterfront, but in the administration area, it has released people from mundane and labourious work to more interesting tasks, he said.

A family man with four children and "a couple of grandchildren", Graham relaxes by reading or doing the garden — but that's when he takes time out from his other activities.

He is heavily involved with the New Zealand Chambers of Commerce, and is a director of both NZ Offshore Oil Services Ltd and NZ Commerce Ltd, an alternate representative on the Exports and Shipping Council, president of the New Zealand Stevedoring Employers' Association Inc, past president of Skid Club and the Rotary Club of Johnsonville, and an elder in the Presbyterian Church and more.

He is outspoken about the role of Government and the State, monopolies and protectionism.

"Government has to look closely at regulations which are too often gone into too quickly and restrict the ability of business to operate profitably," he said.

The rationale applied equally to local government.

He said he believed there was no need to set up the State-owned Petrocorp, "a role not for Government".

On the same tack, he has similar things to say about the railways system — and the airways. The private sector got them going, then the State took over, Graham said.

But "private enterprise always had the vision".

"It's not original, but if you look through history, nowhere will you find an invention brought from the state; all the enterprising people came from a free society — there's a message for us there, somewhere," he said.

Monopolies in the true sense are had in that they deny the consumer choice; but the term is often misused, Graham argues.

If it merely denotes big business, there is nothing new about them.

"It's a circular thing," he says. Small businesses are those managed by people; the right vision will grow, they tend to absorb other smaller businesses along the way.

Equally big businesses will die — "take Mosgiel". Graham is firmly opposed to the Government "bailing Mosgiel out".

Protectionism has already gone too far, he suggests. Rather if trade unions are dedicated enough to want to save it, they should mount a national appeal.

A hard line, perhaps, but Graham insists he is committed to the role of trade unions. There is a definite place for them in the total free enterprise picture, he says.

Free enterprisers push for economic freedom

by Rae Mazengarb

"PROFITABLE" business is not adverse to community interest, but is the basis of our standard of living. Profits are not discreditable. "Lose" is the only dirty word."

That is what the pragmatic chief executive of Enterprise Australia, Jack Keavney regards as the meaning of "free enterprise".

Others see it in more philosophical terms, such as his unnamed writer's definition:

"Free enterprise... is a way of living in which you as an individual are important. Free enterprise is the right to open a grocery store or buy a farm or exchange your job if you don't like the man you work for..."

In this country, private enterprise is the cause being unashamedly pushed by Enterprise New Zealand.

Enterprise New Zealand — the Chambers of Commerce economic education programme — was set up in 1976 in response to concern voiced by a group of leading businessmen that there can be no freedom without economic freedom.

Dr Eva Odehnal, director of a West German association of owner-entrepreneurs with 5000 company members, will deliver a paper on "the role of the entrepreneur and the smaller business".

Dr Harold Bell, former chief economist of the AMP Society, company director, author and commentator on Australian affairs, will centre on "Government economic policies and their influence on investment in the private sector".

Professor Myron Roomkin, of Northwestern University, Chicago, writer and authority on unionism, collective bargaining and industrial relations in general, will speak on "US union attitudes, tactics and trends within a mixed economy".

Other subjects for discussion will include management responsibility, equity capital, productivity, and the free enterprise movement worldwide.

Emphasising the importance of the convention — tagged the "assembly of business" — Enterprise NZ chairman David Graham commented: "It's a pity it wasn't done two years ago."

Graham looks with disfavour at the growth of lobbies and trade associations in New Zealand. He says that they only weaken the united voice of business.

"Enterprise New Zealand is not within that category," he said, pointing out it had been a deliberate policy move to have the presidents of the major trade associations chairing each session.

"Business always needs a forum... to discuss what is in their joint interests," Graham said.

A Haylen Research Survey carried out for Enterprise New Zealand should help to stimulate the discussion.

merce executive vice-president Alan Simm called it "the most ambitious projects far under-taken by us".

This was not "just another conference," he said.

The purpose and role of enterprise in a mixed economy had never been the sole discussion point of a national convention before. And the power house of the economy — the private sector — had not previously been up for so much questioning, so much misrepresentation, so much threat from State influence, Simm said.

New Zealand faced crucial decisions on the future role of the private sector, he said, and the timing of the convention — mid-term in the life of Parliament — had been deliberate.

A panel of members of Parliament will discuss the role of Government in a mixed economy; the trade union movement has agreed to contribute; and the presidents from five individual national business organisations will chair sessions.

Several overseas speakers will contribute papers, and prominent New Zealanders will provide "hard facts" on the nation's economy.

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Enterprise New Zealand will hold a convention in Auckland from June 19 to 21 to examine and discuss the future role of the private sector of the economy. Chairing sessions will be the presidents of five national business organisations representing manufacturers, retailers, employers, company directors and business people in general.

The 1980 survey results have not been made public, but are not expected to be any better than those of a similar survey in 1979 which earned the title "loss of productive capability". It related to the erosion of the capital base of business — something which Enterprise New Zealand said "had been going on for some time".

The 163 surveyed companies suffered a loss of \$462,000 in funds available for expansion, the 1979 survey revealed.

The broader questions of what is happening to New Zealand business and where does the fault lie will be examined in Auckland this month.

If present trends continue, Enterprise New Zealand predicts the consequences will include:

- Loss of competition in the marketplace and a worsening situation for the consumer;
- Failure of small businesses; or
- Creation of monopolies through forced merger, takeover or sale;
- Loss of jobs and job opportunities, inability to invest as businesses opt for survival.

While the ordinary bloke — if there is such a being — could suggest these features are already evident, convention organisers are looking to stem the tide.

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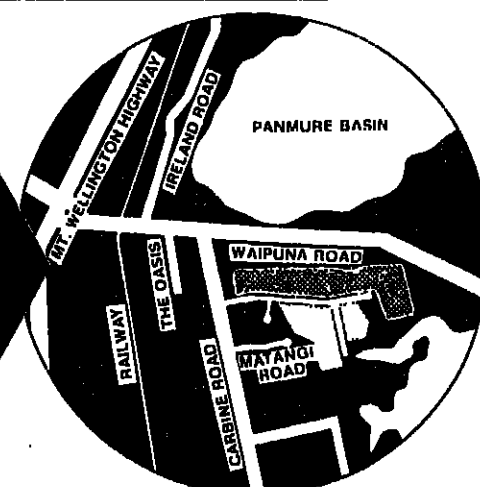
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Why those "mature" public servants in twin sets

by Jim Hopkins

CHILLED by Wellington's ill wind, more than 30 picketers (and placards) stood resolute on the steps of the Reserve Bank Building, headquarters of their employer, the State Services Commission, on the afternoon of May 30.

It was the first time public servants had actually picketed the offices of the SSC (at least, as far as PSA officials could remember.)

The shock troops weren't hairy-palmed wreckers or demonic minions of the SUP, hellbent on destroying democracy.

They were — as an observer described them — "little old ladies in twinsets and pearls and sensible shoes".

Staff of the National Film Library, they spend most of their time supplying films to schools and other cinephiles. On May 30, they

were on strike — and picketing.

The "little old ladies" tag is not exactly true, but it's more right than wrong. About 75 per cent of the National Film Library's staff are women (that's their estimate) and many are, as one put it, if not middle aged, then "mature, that sounds nicer".

To understand why the staff of the film library — with some allies from the Correspondence School — were on the

steps of the Reserve Bank, it is necessary to go back to June 1979. That was when film library staff asked the State Services Commission to "review" their "classification and grading".

The significance of this must be extracted from the knotted phrases of the State Services Act, 1962.

Section 43 of the Act requires the commission to place each public servant in an "occupational class" (for ex-

ample, clerical executive, seed analysis officer, office and general assistant) and give each a "grade" (a position on the income scale).

Section 44 further decrees that the commission (once it has classified and graded every public servant) must continuously review "the classification and grading of the Public Service". In other words, run a non-stop double check on its own tags, brands and labels.

Last year, film library staff in Auckland, Wellington, and Christchurch sought just such a double check for everyone on the library staff, irrespective of their occupational class or grade.

Forty-four public servants were involved — the total number of people employed by the film library nationwide. Such an omnibus request clearly is tantamount to a pay claim. And PSA officials who took the request to the commission conceded it was "a *de facto* pay claim".

The commission does not. Pay claims, the SSC says, are covered in another section of another Act — Section 23 of the State Services Conditions of Employment Act, 1977.

They also say that pay claims must cover all public servants in an occupational class, not just some of them (which means that to get a pay increase for, say, 10 clerical executives at the film library, the PSA would need to present a case for increases for all the 20,433 clerical executives in the Public Service. And win. Complex it may seem, but that's the rules.)

So, when the "de facto" pay claim arrived at the commission's door, it suddenly became "a reminder".

Assistant commissioner David Swallow says: "The PSA took action on behalf of a number of individuals, to remind the commission of its obligation to ensure positions are correctly graded."

The reminder, says Swallow, was not inappropriate. "Action was requested and action was taken. Our inspectors went hither and yon. They made their investigations and reached certain conclusions."

Those investigations did not compare National Film librarians with Television New Zealand's film librarians, (who do similar work but are paid about 30 per cent more.) The reason, says Swallow, is that television's film librarians are not, in law, public servants.

They're part of the larger group of state servants, covered by a different Act. So they're not in the same occupational class as National Film librarians. And so they could not be compared.

In the end, the film library staff rejected the commission's review based on its inspectors' investigations. And they rejected subsequent "modifications" and "further appraisals".

One month ago, they decided to work to rule. They're still working to rule.

Nancy Williams is the PSA delegate at the film library's head office in Wellington. She has worked there for 13 years, been delegate for three.

She allows that she's "mature", but says that "we're all mature in our thinking as well as our age. Even the young ones have a very mature attitude. They take their job seriously."

Williams is an office and general assistant. She is paid \$8600.

She doesn't think anyone at the film library would describe themselves as overpaid but points out that the staff are responsible for the collection, care, maintenance and distribution of \$28 million worth of films, including rare and historic archive material.

She says the film library is "a close-knit unit, it always has been. It's a place where people feel really at home". And of the strength of that, it's an unlikely place to find a picket line.

Williams says: "I wouldn't have imagined 12 months ago I'd be doing this. I don't think any of the staff would."

Even now, film librarians say they don't like working to rule. They say people depend on them. "We know there's probably got to be an audience waiting for the film they've ordered."

But they say it is necessary to show their "plight", make clear that the "services which have been given so cheerfully and promptly over the years are being gradually eroded."

The staff said their library was "a unique asset" which had not been taken seriously.

They claim they have a career structure, no proper career paths.

They point out that the film library has an official allocation of 59 jobs, but that only 49 people are working there — a direct result, they argue, of Government's sinking ship policy.

They say they need more people, new equipment, and employers who will listen.

There was a lot of anger and frustration behind their request to the SSC for review of staff positions.

They call the commission's decisions "niggardly" and see the fact that "some get something and some get nothing", as an attempt to divide and rule.

The SSC's response is that it has recommended pay increases for 48 librarians positions. Not all the jobs, and not necessarily to the extent that the PSA or its members wanted. But it has done what it saw things.

Result: stalemate.

One PSA official says the SSC would not accept mediation and would not have a referee.

Swallow says he "has no knowledge of any specific request for mediation", but there was, the answer would be "no". It's not provided for in the Act, he says, and he sides, "there are statutory remedies available elsewhere".

and pearls took up pickets against their employer



SSC headquarters... film librarians flexed their muscles

The most important of these is Section 45 of the State Services Act, 1962, which gives public servants the right to appeal individually (once every five years) their allotted place in the SSC's grand scheme of things.

Which simply means, says Swallow, that film librarians "have a right of redress. Individuals can apply to the classification committee for regrading, relative to other individuals". And that, he says, is what they should be doing.

Not so, according to one PSA official, who claims Section 45 is "virtually wrecked". Last year, he says, an individual public servant went to the committee. His work load had doubled; he wanted to be regraded. But, says the PSA, the SSC argued that there were other public servants on the same grade, doing the same job, whose work load had also doubled; if just one man was regraded, relatively would be severely damaged.

The PSA claims the classification committee accepted this argument and threw out the appeal.

"It's Catch 22," says the PSA official. "The commission could use the same argument with people in the film library. Last year they said Section 45 was the wrong section to use in that particular case. We should use Section 44 and ask for a commission review. We're just going round and round in circles. Catch 22."

Swallow says he is "not aware of the case, on its relevance". He accepts that "relativity" always a problem in these matters, but maintains that there are remedies available in the legislation.

Section 45 is one of them, and that the library staff should use it.

What's to be made of all this? According to the PSA: "Here are 44 people with a pretty justifiable grievance and it's turning into a silly little Balkans War. All because someone's sticking to the letter of an imperfectly drafted law."

But Swallow says: "We've discharged our obligation under Section 44. It's difficult to see how much further we can go. We can't legally do any more than we're entitled to do. We can't confer rights on individuals that the legislation doesn't give them."

For PSA officials, this is just "one example of the extremely primitive levels of

staff management in the state services. They haven't had an original thought on staff relations since 1951."

"Garbage: Union garbage!" says Swallow. "We have to operate in a legislative framework. Have the PSA made any representations for the law to be changed?"

Meanwhile, at the film library, the work to rule goes on. In Williams' room, 200 films are waiting to be checked and prepared for release. More are arriving every day.

Checking and preparing new films was a job Williams used to do to help out. During its review, the commission told her it was a job she shouldn't be doing. Now, she is not doing it. And there's no-one else available to do it, she says.

(There's a fine irony here. A strike in the public service is defined, in part, as "any number of employees... discontinuing the performance of their employment" or "reducing the normal performance of it". Since Williams normally checked and prepared new films, not doing so could mean she's on strike. In spite of the fact that she's been officially told it's a job she should never have done.)

The work to rule has had limited impact. Effectively, it has meant that schools are not getting films and teachers are getting upset. As one PSA official concedes, that's not likely "to bring the country to its knees".

But it has had a big impact on the staff. "I'm very proud of them," says Williams. "I've had some illusions shattered during this. I think the members have, too. I wouldn't have expected some of the attitudes we've encountered."

To date, the film librarians have nothing concrete to show for their actions. The protracted work to rule has achieved nothing. The one-day strike means they'll lose one day's pay.

It also means that the Government can — if it chooses — call a compulsory conference to secure a settlement.

What has happened is that a small group of workers has made a decisive industrial move. Changed tactics, adopted militant strategies.

"We're not talking about hairy-handed drivers or the SUP," remarks a PSA official handling the dispute. "This is a handful of very conservative people. Many of them are middle aged. They're not one of our straggly groups, they're not archetypal strikers. But we haven't pushed them out the gate. What they've done have been their own moves. We haven't told them what to do, haven't told them a symbol of the new industrial relations."

They're as big a symbol as Kinleith. This wouldn't have happened five years ago. It's a sign of the deterioration in the industrial climate," the official said.

Swallow is more phlegmatic. He's not sure this dispute is a sign of deteriorating climates. "I don't know if I would draw any conclusion. I'm not sure I'd want to."

He says the librarians' action was out of character, but not surprising. In recent years he has watched numerous groups taking action "that might be described as uncharacteristic. To be surprised these days one would have to be naive."

Swallow says that, in his experience, public service groups have often chosen to "flex their muscles" instead of pursuing the "statutory remedies available".

But that doesn't explain why groups like the librarians have gone for muscle, not mouth power.

After 38 years of meek silence the library staff have decided that they too must flex what muscles they have.

There is a significance in this, which arguments about statutory remedies cannot gainsay.

And perhaps there is a message for those politicians who regularly condemn

"union stand-over tactics": normally, docile groups appear to be concluding that if they don't stand over, they'll get stood on. Which must, in part, be a response to the managerial messages they're picking up.

Are those messages not clear enough? Are the workers hard of hearing? Or is somebody's indifference coming through loud and clear?

Any Government which seeks industrial harmony and which urges unions to negotiate, not devastate should be concerned that in an area over which it has direct control a group of white-collar workers (however small) strikes, pickets and disrupts. If only because it means that Government has lost a passive ally and gained an active opponent. And because it means that 44 public servants now see things a little more Bill Andersen's way.

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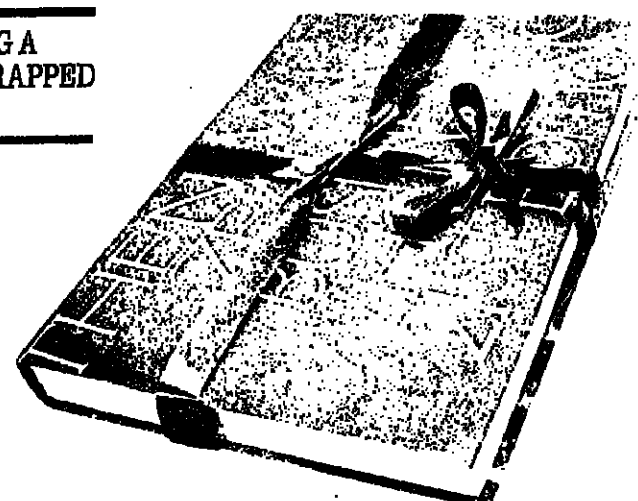
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Pilots collide on course to promotions

by Lindsey Dawson

AIR New Zealand's long-standing pilot seniority wrangle is still not settled.

Initial reports on the proposals of the overseas arbitrator, Professor David Feller, stated that international pilots "fare slightly better" in the merged seniority list but there is still much unhappiness among the overseas flyers.

At a meeting with the Air-Crew Industrial Tribunal on July 7, the overseas branch of the Airline Pilots' Association is expected to seek changes to some aspects of the proposed

award, which attempts to meld together the seniority positions and command prospects of the two pilot groups. "I don't think we can do much at this stage, but there are some things which we might seek to overturn," said the chairman of the overseas branch council, Arthur Dowe.

Pilot seniority has been a bitterly contested issue between domestic and international pilots since the merger between NAC and Air New Zealand in April 1978.

Ex-NAC pilots went on strike last year in an effort to force through their demands

for a "stovepipe" seniority list in which co-pilots would work their way up the Air New Zealand fleet from Friendships to 747s, then achieve command on Friendships and progress through the various aircraft types. The system was expected to cost the airline \$2.5 million dollars a year in training costs and inefficiency.

The proposal was opposed by the company and international pilots, who would have been severely disadvantaged. NAC pilots wanted the seniority system to be based on length of service which would have meant that, of the first 180 pilots on the proposed list,

132 would have been former domestic pilots. Even Air New Zealand's most senior international pilot would have found themselves well down the list.

The issue dragged on amidst acrimony from both sides, with domestic people accusing the international flyers of selfishness, and the overseas branch regarding the ex-NAC fraternity as opportunists who were prepared to climb over the backs of old mates to gain advancement.

The issue was referred late last year to Feller, of Berkeley University, who is an expert in international aircrew industrial matters. His report to New Zealand's Aircrew Industrial Tribunal has just been published.

His proposals still have to be ratified, but most of it is likely to be accepted as both parties agreed to accept Feller's findings.

Feller's 50-page document is a complex report which pilots have been digesting in the last few days to find out how they will be affected. Reactions range from acceptance to outrage.

NBR was told that some ex-NAC pilots feel they should have got more. International crew documents are summed up by one first officer who said he was "hacked off" that any merger took place at all "but Professor Feller seems to have done the best he could with an impossible task."

Dowe said that senior international first officers were feeling "justifiably upset" that their prospects of early DC8 command had been eroded. They would instead be offered commands on 737 aircraft.

Feller's proposal states that, until 1988, the various pilot groups will have a number of protected command positions which can only be filled from within the ranks of their own groups. Eighty-four command pilots, and 57 B737 captains are reserved for the ex-NAC aviators.

These were the command numbers at the date of the Air New Zealand-NAC merger.

Both fleets already have more captains in each group - and the new proposal states that new command positions must be filled by pilots of the other group until the excess capacities are balanced between pilots of domestic and international backgrounds.

That means that the next 13 long-haul captaincies must go to domestic pilots. "Without this merger I could have expected DC8 command within a year" one overseas co-pilot told NBR. "I've got years of international experience. Now they'll offer me a job flying 'two-homers' to Wellington and Christchurch. Why go to all the expense of training me on 737s, and checking out a domestic pilot internationally? I suppose it's a case of the price the company has to pay for industrial peace. But I have to pay too - the way it looks now it will take me years to catch up financially."

Their job prospects are confused by the fact that the same group is poised to go into the first intake of 747 crews. For many that is a bigger lure than 737 command. There is nothing to stop co-pilots from qualifying on 747s, and a few months later opting for 737 command. It could be an expensive exercise for Air New Zealand.

Dowe, a DC10 first officer, said that overall the re-training costs involved in pilots switching roles will be minimal. "There's a great deal of retraining coming up anyway with the purchase of new aircraft."

Flight safety is not an issue in the training of domestic pilots for international flying, he said. "Many of the ex-NAC pilots are enormously experienced, with 10,000 or 15,000 hours of flying behind them. There are no problems at all - although some extra route training is necessary for familiarisation with different airports."

DIRECTOR of Flight Operations for Air New Zealand, Capt. Dave Eden, says that Feller's proposals are generally acceptable to the company. "Although I don't say that we agree with them 100 per cent."

Meetings were taking place to sort out some of the complaints from both sectors. The proposals did not cover how pilots careers would progress, but Eden expects that a joint award to be formulated soon will establish a type of bidding system so that crews could choose which aircraft they wanted to operate.

Compensation claims for pilots who would have to accept 737 command instead of DC8 were being discussed.

His view was backed by some other pilots NBR spoke to. "Airports anywhere are just another strip of concrete," said one ironically. But not everyone was so sure.

Commented another: "It takes years to learn all about going into a place like Los Angeles or Hong Kong, in rough weather and heavy traffic. It's going to cost the company a lot of time and money and could incur a lot of tension on the flight deck."

Feller said that his proposed award comes as close as possible to the goal of not providing enhanced promotional opportunities and protection to one group at the expense of the other, while at the same time achieving the objective of a unified airline within a reasonable and predictable time.

But he pointed out: "To put the matter bluntly there is no way in which an integrated list can be created which does not advantage the domestic pilots in the long run."

He pointed out how different the Air New Zealand-NAC case is in comparison with other mergers, such as the marriage of Saturn-TIA and United-Capital.

These involved airlines flying much the same sort of services, using pilots with similar backgrounds. Air New Zealand and NAC, he said, "fished in different pools" for their pilots.

"The two airlines were hiring every different kind of people. The domestic airline

would not hire a pilot over 35 years of age. Air New Zealand would, and did. NAC had minimal prior experience requirements." Air New Zealand, on the other hand, recruited largely experienced pilots from other airlines or pilots who had command experience in jet aircraft from the armed forces.

Most of the pilots previously hired by NAC would not have met Air New Zealand's qualifications, he said. "This is illustrated by the fact that some 50 pilots originally hired by NAC chose to forfeit their seniority after gaining sufficient flying experience, and to begin again at the bottom of the Air New Zealand seniority list."

That era is over, said some in the industry.

All pilots joining the company now have to start at the bottom of the Friendly fleet, no matter what their previous experience was. Air New Zealand followed not big airlines in adopting the

Yen's movement shifts car-buying balance

by Rae Mazengarb

ANY bonus that buyers of Japanese cars might have enjoyed just a few months ago seems to have disappeared as the Japanese yen continues to weaken against the New Zealand dollar, and takes the price of cars steadily upward.

And for British model purchasers, the prices look like going even higher because of the hardening British currency.

Importers of Japanese cars have been at an advantage over importers of British makes. As sterling has strengthened, models such as the Ford Cortina have increased substantially in price over the last six months. But some Japanese car prices took a tumble a few months back.

Local manufacturers buy CKD packs well in advance

and price the cars on the average price over a period, to allow for price differentials brought about by fluctuating exchange rates.

In April the New Zealand dollar was highly favourable against the yen, leading to the landing of car packs from Japan at a highly advantageous price.

If that trend had continued, consumers might have seen some large decreases in the price of Japanese cars, according to one distributor.

But the movement was not to continue and instead the exchange rates turned around again. But consumers still benefit from the April exchange rates, a spokesman for one importing firm said. Despite the ravages of inflation elsewhere, prices of Japanese cars have remained stable over the last five to six months.

Locally-made car components such as tyres, however, has increased in price substantially over recent months - with dramatic rises in the retail price.

While these increases have been partially offset by the favourable exchange rates, the consumer will feel those increases from now on.

Wellington-based Williams and Adams spokesman Garth Williams said that as far as made-up cars were concerned,

the price of Japanese cars had taken a dip around April.

But the most recent shipment landed had seen a hefty rise from the previous month.

One Japanese model that retailed for about \$14,000 a few months ago had dropped to about \$13,000 in April, but that was where the buyers' picnic ended.

The last shipment saw a price-rise of around \$350, Williams said.

But while the prices of

Japanese cars are steadily working their way upward again, more drastic price fluctuations are occurring elsewhere.

A British Daimler - priced around \$30,000 a year ago - has a landed price today of between \$48,000 and \$49,000.

Aside from the exchange rates, sales tax, increased freight rates and so on, all had a multiple effect on price, Williams said.

But this last shipment had definitely brought some large increases.

If inflation continued this way, the investor could do well to put his money into up-market cars, was the suggestion of one dealer. "They must be the desirable kind".

But industry sources predict increasing headaches for distributors finding finance for new vehicle purchase.

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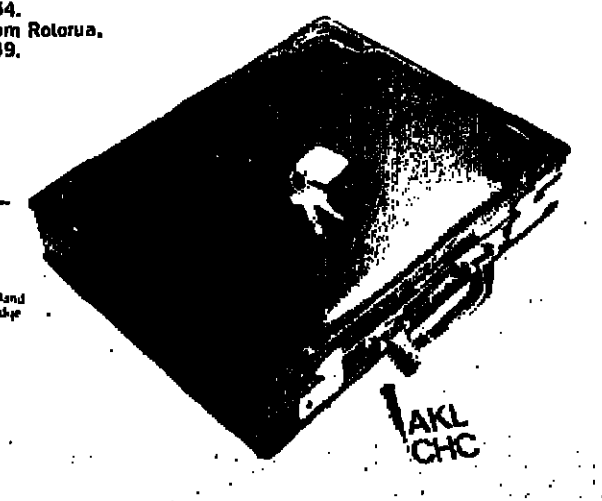
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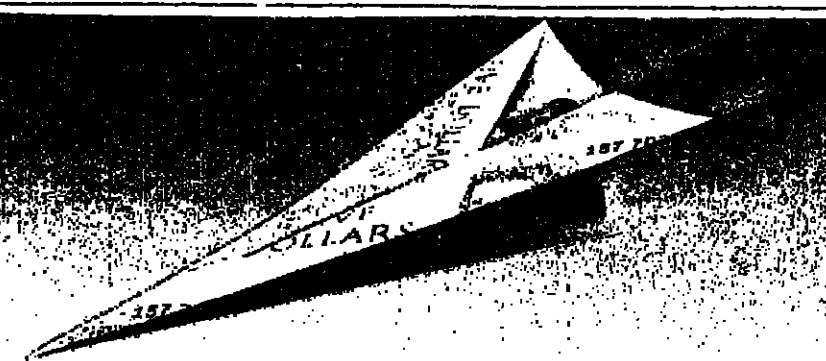
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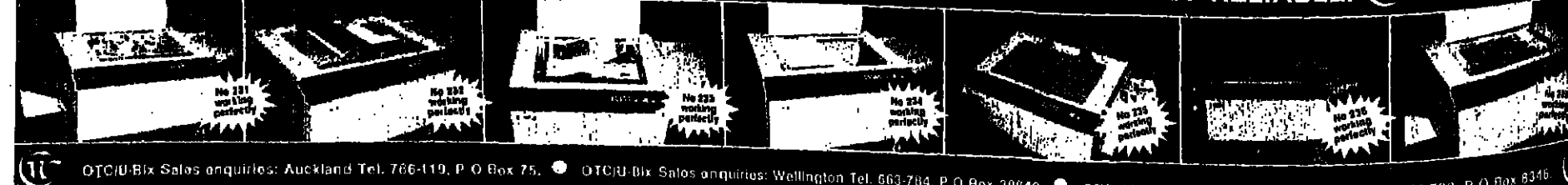
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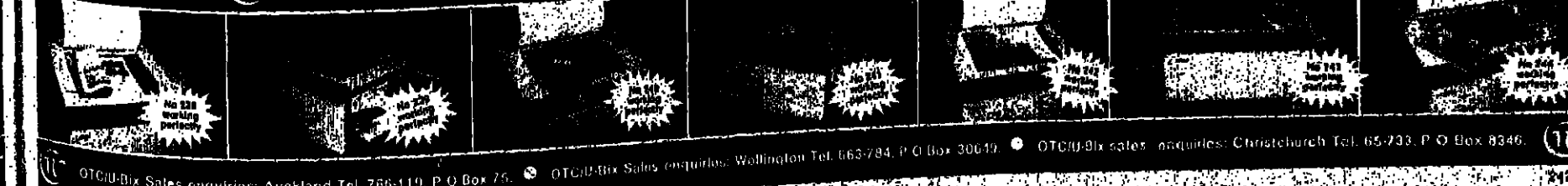
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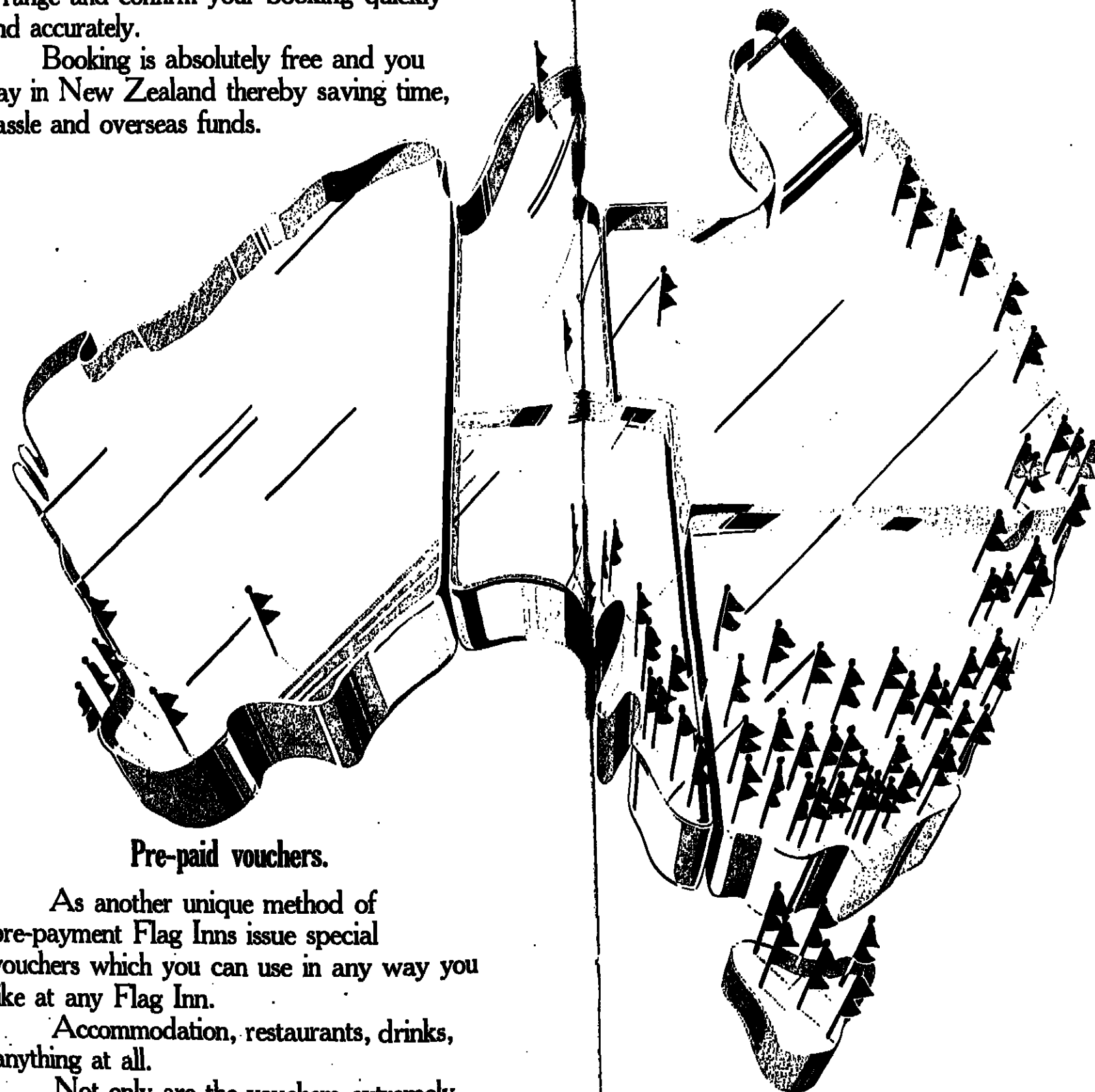
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The Brandt Commission: the coming of age of North-South interdependence

by Christopher Laidlaw

IT has been claimed that the people of the world's developed countries have heard the cry of woe from their development lobbies so loudly and often that they can be forgiven a certain immunity to the horrors of poverty in more obscure parts of the globe.

As violence on TV dulls the average consciousness to violence outside on the street, so the constant and often shrill denunciation of poverty and underdevelopment within a large chunk of the world community has given birth to the antibodies of indifference in the cushions of the developed world.

It seems reasonable to suppose, therefore, that a highly detailed 300-page report with the seemingly alarmist title *North-South: A programme*

for survival would scarcely draw anything other than a predictable response in the industrialised "north": reviewed seriously and sympathetically, recommended to all in the development business as essential reading, quickly shelved and gradually forgotten.

In this case, however, that fate seems far from likely. The Brandt Commission report — the report of the Independent Commission on International Development Issues chaired by Willy Brandt and peopled by an extraordinary mixture of personalities drawn from across the political and economic spectrum of both the North and the South — is no ordinary call to conscience.

For a number of compelling reasons, its message simply cannot be quietly shelved. It is not a cry for charity but a reasoned call for action by all countries.

THE report of the Independent Commission on International Development, named after its chairman Willy Brandt, supports the alarmists' vision of a world literally staring down the barrel of a gun, with an overwhelming body of evidence.

In its 300-page report titled *North-South: A Programme for Survival*, the accumulative tensions that arise from North-South disparities are seen as a potential trigger for global holocaust.

The Commission takes interdependence as its starting point to look at the present inadequacies of institutions and processes set up to manage the world economy.

Chris Laidlaw, special assistant to the Commonwealth Secretary-General, looks at the credibility, machinations and findings of the Commission.

It is, in effect, precisely what Rob Muldoon called for in his January state of the Nation speech — a concerted international effort for co-operation to prevent a world wide depression.

What Muldoon forgot to mention, is that for much of the world, depression is a permanent fact of life, an inescapable condition. The political pedigree of the participants is only one reason why the Brandt report will not be ignored. They reached a

unanimous view of the world's economic prospects and the catastrophe which awaits both the rich and the poor if they fail to act together in even more significant.

The report is a chilling statement of global economic reality and of the world community itself.

The commission's exposure of the inadequacies of institutions and processes set up to manage the world economy (the legacies of Bretton Woods) and the need to do something about them is spelled out in terms which dramatically transcend the economic realm.

It is deliberately couched, not in the jargonistic mumbo-jumbo which rings bells only with international civil servants, but in language which anybody can readily understand.

There are no excuses for the failures, and no blind eyes turned to the underlying political expediencies that have brought the world to the desperate situation it finds itself in at the dawning of the 1980s.

For the first time the alarmist cry is supported by an overwhelming body of evidence to justify that alarm.

The commission is saying that in an international environment in which, more than ever before, we are staring, literally, down the barrel of a gun, the accumulative tensions arising from North-South disparities are themselves a potential trigger of global holocaust.

Development inequities are as great a danger to world peace as Eastern or Western military adventurism. And they are certainly not subject to the same kinds of rational checks and balances.

As Willy Brandt puts it: "History has taught us that we produce hunger, but we are less aware that mass

poverty can lead to war and chaos. While hunger, peace cannot prevail. The who want to ban war must ban mass poverty. Morally makes no difference whether human being is killed in war or in the streets of a city because of the indifference of others."

The conduct of North-South relations is seen with new clarity for what it really is, or should be: a process for the active pursuit of peace on a genuinely global scale.

The Brandt Commission, drawing attention to the previously subliminal relationship, takes as one of its basic assumptions the need for the common countries to play a more integral part in the world economy. It examines the imperative against the wider canvas of the arms race and the more clandestine struggle for power and influence between East and West in which so much of the Third World unwillingly provides the theatre and the players.

In this aspect alone the report's perceptions are penetrating.

Some say that the report has been launched at a singularly inauspicious time, given the rather sudden cooling of *la détente*, the niggardly posture of the OECD countries, the development assistance, the unseemly spread of beggarly-neighbour protectionism in both North and South and the fact that the North-South dialogue is currently going nowhere — bedeviled in its backwaters of sterile confrontation.

The renewal of the threat to world peace and the seeming intractability of world economic problems serve only to underline the importance of the Brandt Commission's analysis and to lend weight to its overriding argument that the North needs the South as much if not more than vice-versa.

In reality the crisis is the North's more than the South's. It is the developed countries which face a steadily declining standard of living if the new international economic order is not achieved. By definition, the hungry, badly equipped, and technologically deprived parts of the world have less to lose from any catastrophe. The North, without quite realising it, is crying for help from the South.

The concept of mutual interdependence is not new. "Interdependence" has become a catch word as "middle down" or "basic code" earlier caught the imagination of the development theorists.

But the case in favour of interdependence has been proven beyond any question both political and economic.

An interesting measure of the progress in international thinking is that the Brandt Commission takes interdependence as its starting point. Ten years earlier the Brandt Commission headed by Lester Pearson (in a sense the forerunner of Brandt) took as its basic premise the need for a sense of charity on the part of the North.

The Pearson Commission is remembered for helping to secure official acceptance of the existing international development targets. Today, development is no longer a question of charity alone. It is

If the world community continues to procrastinate then the outlook is one of almost total despair for many countries and many millions of people.

In the short-run the lot of the world's 800 million people living at the margins of existence in the South seem intractable: life expectancy remains more than 20 years shorter than that in the North. One out of four children in many countries will die before the age of five and the prospects of those who live are minimal.

Developing countries' debts must inevitably swell and the world's outdated financial system will be unable to recycle the surplus funds in sufficient quantities to begin to deal with the problem.

In the longer run, the world's population is likely to rise from the present level of 4.3 billion to more than 6 billion by the turn of the century and to between 8 billion and 15 billion in another quarter century.

On current trends, by 1985 the Third World will need to import 145 million tonnes of food annually, nearly twice the present level. It is doubtful whether this can be provided let alone paid for, given the ever present threat of a renewed inflationary surge in world food prices.

Such problems as the annual rate of deforestation in the Third World, equivalent to half the area of Britain, the constant depletion of the oceans' riches and the world's non-renewable energy resources led Willy Brandt to ponder in his introduction: "Are we to leave our successors a scorched planet of advancing deserts, impoverished landscapes and ailing environments?"

The commission concludes: "The world is a fragile and interlocking system, whether for its people, its ecology or its resources."



Willy Brandt... poverty leads to war

All of this, of course, has a familiar ring. It is the familiar plea of idealists, the conservation freaks, the back-to-nature enthusiasts. From them it can be cynically ignored. But can it be ignored when it



Dr. Waldheim... constructive summit

comes from hardheaded politicians and pragmatists; from people whose business is realpolitik but whose vision is wide enough not to want the future that realpolitik promises.

In its analysis of the international status quo the commission focuses on the intricate character of interdependence in a variety of key aspects of the world economy.

Trade: Creeping protectionism, often in the guise of "orderly marketing arrangements" is exposed as a major psychological barrier to enhance world trade.

Balanced trade expansion is a less inflationary way of raising the level of economic activity than stimulation by public expenditure and tariff or other barriers. However attractive in a narrow partisan sense they tend to have an accumulative effect which is very difficult to roll back.

There is the very definite question of a debt on the part of the North. During the post-1973 recession increased exports to the South in fact saved around 3 million jobs in the OECD countries. The loss

of jobs in the North deriving from imports from the South has been minute in relation to total unemployment.

Surpluses like this rarely become the subject of public debate in the North, but are compelling evidence in favour of a new deal on trade.

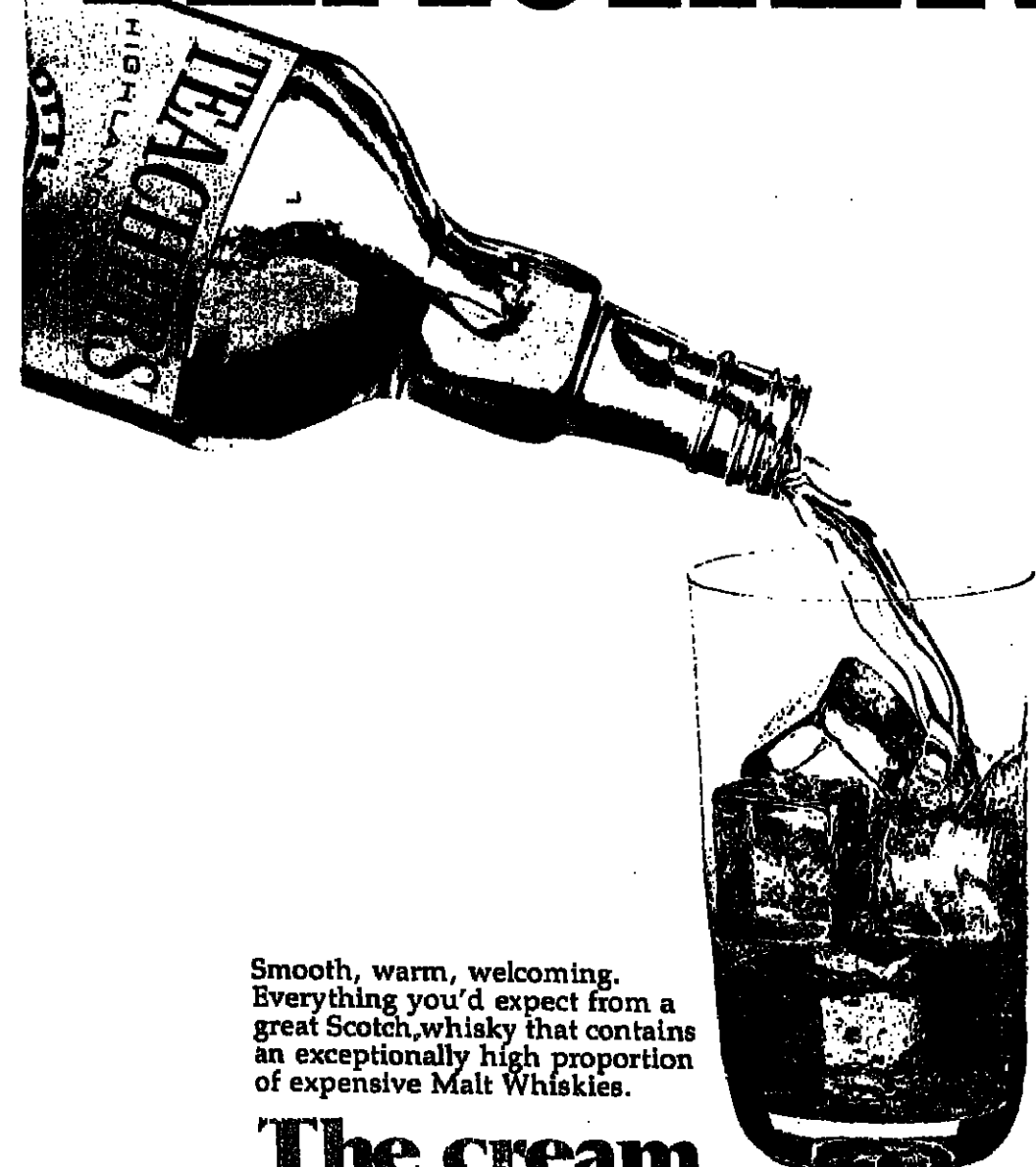
Commodities: Sixty per cent of world exports of major agricultural and mineral commodities (other than oil) originate from the Third World. UNCTAD has estimated that, for 10 commodities, local processing could increase developing countries' exports per year — more than one and half times what those commodities now earn.

But existing tariff and freight systems are structured in such a way as to discriminate against the exporting of semi-processed commodities.

The North retains the

Continued on Page 34

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Continued from Page 3

means to capitalise on the added value of much of the commodity exports from the South even its own processing facilities are less competitive. Industry and transnational: The developing countries' shares of world manufacturing rose from 7 per cent in the 1960s to 9 per cent in 1977.

In 1975 the United Nations Industrial Development Organisation adopted the target of 25 per cent for that share by AD 2000. Although progress so far has been minimal the commission remains convinced that so much potential exists in the South, the target is not necessarily unreachable.

But, it points out that eight countries alone — the so-called newly industrialised countries — accounted for 78 per cent of the additional Third World manufacturing exports to the

OECD countries between 1970 and 1976, leaving the bulk of the Third World far behind and desperately short of investment.

Trans nationals now control between one-quarter and one-third of all world production. Intra-company trading is said to account for over one-third of all world trade, a factor which provides almost limitless scope for restrictive business practices.

The total sales of the TNC's foreign affiliates in 1976 were estimated at about \$830 billion — around the same figure as the total GNP of all non-oil exporting developing countries.

Much has been made of the bullying hogey of the TNCs in recent years. Some of the criticism has been justified as economic power has been



Lester Pearson... forerunner of Brandt



Shridath Ramphal... key member of commission

used to beget political influence far beyond the bounds of propriety.

The commission's approach to this issue perhaps marks the turning of the tide which now flows against the TNCs.

It calls for a replacement of hostile rhetoric with real bargaining, within the terms of internationally binding guidelines.

It is becoming increasingly appreciated in the Third World that the TNCs have much to offer and, after some nationalisation shocks in some

countries, the companies now seem ready to play a more politically acceptable game with the governments of the South.

The latter, in their turn, may be expected to be more level-headed in their approach. They are certainly encouraged to be so by Brandt.

Energy: The report starkly points out that one American uses as much commercial energy as three Swiss, nine Mexicans, 53 Indians and 1072 Nepalese.

It emphasises that the people of the industrial countries now

have no choice but to alter their lifestyles.

In confronting the realities of the international oil market, the commission specifies three clear reasons why so many oil producers are under domestic pressure to restrain the rate of production. First, oil is a rapidly depleting resource; second, the faster the oil-take from a well the less it may, for technical reasons, ultimately yield; third, that the assets oil producers can purchase seem to be of much less long-term value than oil in the ground.

The commission, perhaps because of its membership, is aware of the reasons why separate international negotiations on energy have never got off the ground and it carefully calls for a global energy strategy, based on predictable pricing and supply (for OECD) and protection of the purchasing power of the producers (for OPEC) as part of a wider package of economic reforms (for the rest of the Third World).

It recognises that the USSR (the world's largest oil producer) and China must be included in future arrangements, and warns in a very timely way, that intervention with force to ensure the security of future oil supplies would be foolhardy in the extreme.

The threat now posed by the Gulf of Hormuz may be an important test of the wisdom of this advice.

Disarmament and development: The commission is unequivocally in favour of disarmament, of course, central to the whole concept of security which is couched only in military terms is highlighted: "More arms do not make markets safer, only poorer."

The report points out the annual world military expenditure totals \$450 billion, compared with annual ODA of only \$20 billion. Again, a illustration is used to grips effect.

For instance, the cost of a tank could provide classrooms for 30,000 children; that of a jet fighter could set up 40,000 village pharmacies.

One half of one per cent of a single year's military expenditure would enable the low-income countries to approach self-sufficiency in food by 1990.

Such statistics speak for themselves and must not be allowed to disappear behind the courteous curtains of political obfuscation.

Monetary reform: The commission reminds us that although the once efficient exchange rate system has long since crumbled into disorder, the Bretton Woods administrative institutions — the World Bank and the International Monetary Fund — remain admirably archaic, doing, or rather misdoing, a job which is quite beyond them.

Those who control them — the governments of the North — are urged to give a greater say to the developing countries, both in executive control and in staffing, and, ultimately, in their restructuring.

The commission lends strong backing to an expansion of the IMF's special drawing rights, urging a more equitable distribution. It also backs the proposed substitution account.

But it is strongly critical of the conditionality of IMF loans to countries in distress, referring cryptically to the "IMF riots" that have sometimes resulted from the dictatorial attitude of the fund in its lending policy.

The IMF is gently encouraged to take a longer term and rather less doctrinaire view of the economic prospects and objectives of debtor countries.

The major problem, of course, is the question of how to recycle the latest and perhaps not the last surge of petrodollars.

Brandt suggests that international institutions should play a greater part in the recycling process. They should act in some cases as a medium for lending from the banks to deficit countries.

The report picks out some vital needs for capital which are not being met. Chief among these is programme financing, for medium-term development plans.

At the moment the IMF deals mainly with short-term adjustments and the World Bank with longer term aid tied to specific projects. Brandt makes a case for a wider World Development Fund to fill the gaps.

For sound tactical reasons, the commission stops short, in most instances, of prescribing the finer details of its proposal. To have done that would not only have prejudiced the possibility of unanimity within the commission but also have narrowed the range of options for a world community which must, perforce, negotiate the terms of such measures at its own pace.

It does not depart from specificity where this is needed, however. For instance, it calls for more than a doubling of the current £20 billion annual Official Development Assistance (ODA) total.

It also recommends that the industrialised countries seriously undertake to meet the 0.7 per cent of GNP target for ODA by 1985 and a target of 1 per cent by the end of the century.

Its proposal for a World Development Fund, (independent of the IMF and World Bank), to administer the radically increased movement of capital will be met with resistance, most notably by those already in the business themselves. The need for greater scope in lending is undeniable.

The commission also believed that more of the required funds should be raised from "automatic" resources. It examines a number of possibilities in this regard including levies related to international trade, military expenditure or arms exports and revenues from global "commons", specially seabed minerals.

The very thought of such international taxation may be laughable in many capitals. But, as the commission reminds the forgetful, a century ago the same was thought of prospects for national income tax.

Can such a concept, which is after all central to the thesis of interdependence, be denied for much longer?

Few of the many proposals in the report are new — their ancestry is often old and their legacy thousands of years of debate at international conferences and the mountainous volume of resolutions which have been debated, disputed, passed and promptly ignored.

It is to this very impasse in the international negotiating process that the commission must seriously address itself. It is an impasse born of fatigue, over-exposure to the harsh sunlight of foreign ministry cynicism and, for many, sheer despair at the inability of the world to negotiate anything sensibly. But this procedural blockage must somehow be removed if the necessary reforms are to have any chance of implementation.

To one of the key members of the commission, Shridath S Ramphal, the Commonwealth Secretary-General and a man accustomed in the Commonwealth context and beyond to breaking political logjams, this aspect is the most vital of all the challenges to the credibility of an international new deal.

Speaking last year to the Royal Institute of International Affairs in London, he gave a hint of the commission's feeling when he

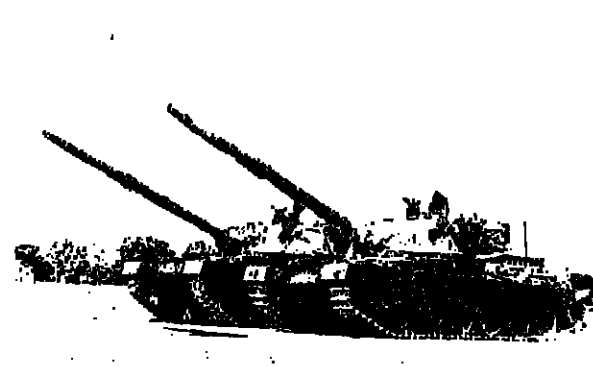
said "It sometimes seems as if success must come not because of but despite the dialogue itself. Who among us over the years has not felt the need for new techniques of conference management and in particular for more political interaction."

"We often complain that progress at the international level is being restrained by a lack of political will. I sometimes wonder whether the fault is not more one of ways and means — the absence of machinery conducive to true dialogue and the furtherance of a will to act together..."

"We must evolve a new technique consciously developed to help members of the international community to be more in tune with each other and with the truest resonances of human interdependence."

It is this last element which, if it comes to fruition, will give the Brandt report a force for change quite unlike anything witnessed before on the international economic stage.

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There is, as a result of the commission's travels and contacts, already an encouraging nucleus of goodwill at the highest level which transcends the artificial divides of wealth and power.

If that can be transformed into constructive summity in all the world's favour then the 1980's may yet see the turning of the developmental tide.

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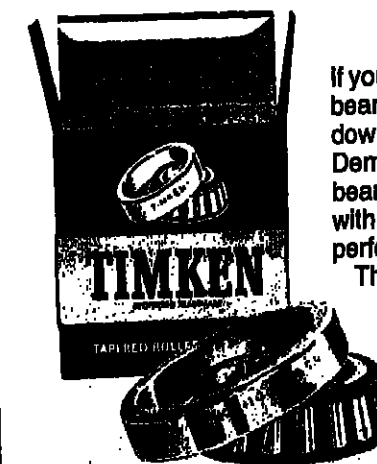
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